

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF AUBURN HILLS, MICHIGAN  
DECEMBER 31, 2004**

**PREPARED BY**  
Finance Department

**FINANCE OFFICER**  
Gary Barnes

**INDEPENDENT AUDITORS**  
Plante & Moran, PLLC

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Auburn Hills</u>	County Oakland
Audit Date December 31, 2004	Opinion Date August 2, 2005	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, LLP</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48037
Accountant Signature 			

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# **I. INTRODUCTORY SECTION**

**The Introductory Section Contains:**

**A. List of Principal Officials**

**B. Organization Chart**

**C. Transmittal Letter**

# PRINCIPAL OFFICIALS

## CITY OF AUBURN HILLS

### CITY COUNCIL

Mari Harvey-Edwards, Mayor

Robert Kittle  
Henry V. Knight  
George A. Luenberger  
James D. McDonald  
Otis Newkirk  
Daniel L. Pillsbury

### CITY MANAGER

Scott S. Randall

### ASSISTANT CITY MANAGER

Thomas A. Tanghe

**CITY CLERK**..... Linda F. Shannon

**CITY ASSESSOR**..... Victor J. Bennett

**FINANCE OFFICER**..... Gary L. Barnes

**CITY TREASURER**..... Victoria L. Valko

**DIRECTOR OF SENIORS SERVICES**..... Karen Adcock

**DIRECTOR OF GOLF**..... Gordon Marmion

**COMMUNITY DEVELOPMENT DIRECTOR**..... Brian McBroom

**RECREATION DIRECTOR**..... Brian Marzolf

**FIRE CHIEF**..... Mark K. Walterhouse

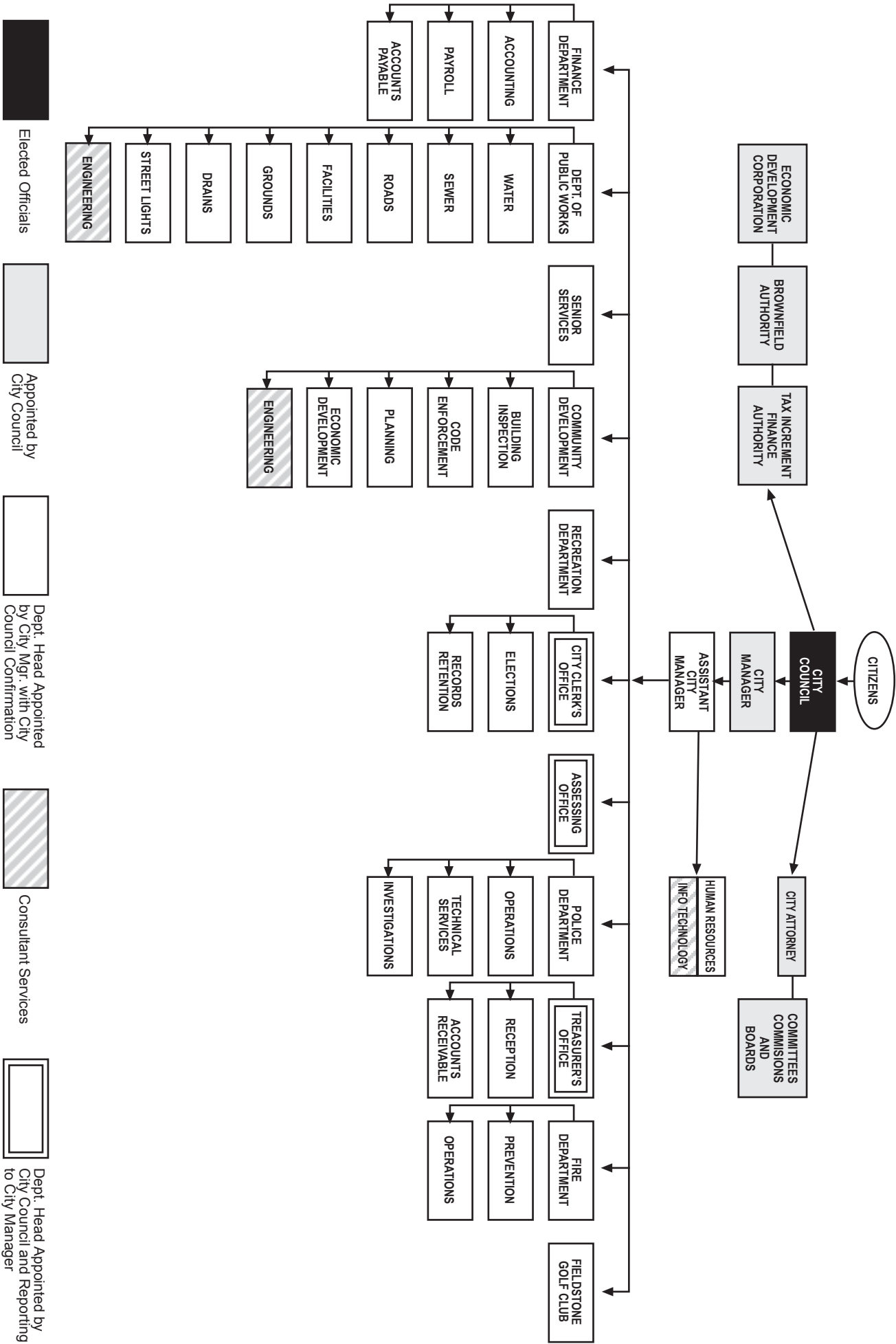
**POLICE CHIEF**..... Doreen E. Olko

**DIRECTOR OF PUBLIC WORKS**..... Michael Culpepper

**CITY ATTORNEY**..... William P. Hampton

# ORGANIZATIONAL CHART

## City of Auburn Hills





# CITY OF AUBURN HILLS

1827 N. Squirrel Rd. • Auburn Hills, MI 48326-2753

Phone: (248) 370-9400

Fax: (248) 370-9348



**CITY OF AUBURN HILLS**

Ms. Mari Harvey-Edwards, Mayor  
City Council and Citizens  
City of Auburn Hills, Michigan  
August 2, 2005

The City of Auburn Hills Comprehensive Annual Financial Report for the year ended December 31, 2004 is hereby submitted. This report was prepared by the Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of this presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included. A more detailed statement of management's responsibility for the Financial Statements is included in the Financial Section of this report, adjacent to the Auditor's opinion.

## **FINANCIAL REPORT FORMAT**

The report is divided into three sections: Introductory (including the Table of Contents and this Transmittal Letter), Financial (which includes the basic financial statements, required supplementary information, and combining fund financial statements for all non-major governmental funds), and the Statistical (including tables of statistical data).

The Statistical Section contains 16 tables of data reflecting financial, social, and economic trends of the City of Auburn Hills and Oakland County for 2004 and prior years.

## **BASIS OF PRESENTATION**

The City's Comprehensive Annual Financial Report is prepared in conformance with the statements and interpretations of the Governmental Accounting Standards Board (GASB). Some of the major requirements of this authoritative body are described below:

**Fund Types Categorized-**The City's operations are accounted for through seven different fund types (each accounting for designated assets, liabilities, and fund equity). The notes to the financial statements describe these funds. The seven fund types maintained by the City are classified into three categories as shown below:

<u>Category</u>	<u>City of Auburn Hills Funds</u>
Governmental Funds	General, Special Revenue, Debt Service, Capital Projects
Proprietary Funds	Internal Service, Enterprise
Fiduciary Funds	Trust and Agency

### **Measurement Focus Clarified:**

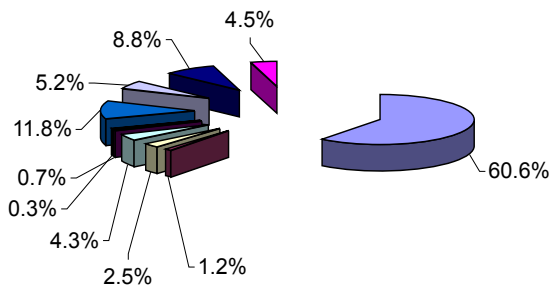
The measurement focus of Governmental Funds is based upon the determination of financial position (depicted by a balance sheet) and changes in financial positions (depicted by a statement of revenues, expenditures, and fund balance). The modified accrual basis of accounting is used to measure financial position and operating results. Under the modified accrual basis, revenues are recorded when measurable and available, and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. With minor exceptions, expenditures are recorded when the related liabilities are incurred.

# CITY OF AUBURN HILLS

## ANAYLSIS OF GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES

### 2004

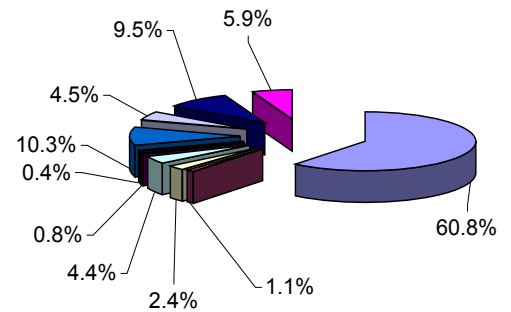
**2004**



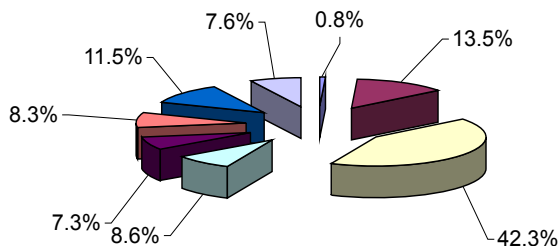
#### REVENUES

- Property Taxes
- Special Assessments
- Licenses and Permits
- Charges for Services
- Fines and Forfeitures
- Federal Sources
- State Sources
- Use of Money & Propert
- Administrative & Interfund Charges
- Other Revenues

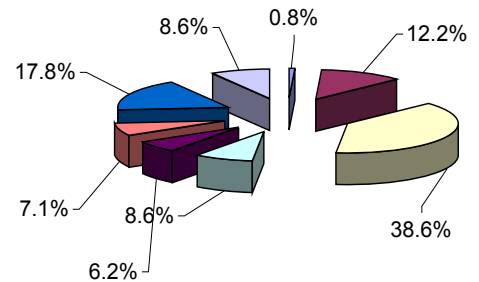
**2003**



#### EXPENDITURES



- Legislative
- Management & Planning
- Public Safety
- Streets, Highways, & Public Improvements
- Community Development
- General Support
- Capital Outlay
- Debt Service



The measurement focus of Proprietary funds is based on the determination of financial position (depicted by a statement of net assets), net income (depicted by a statement of revenues, expenses and changes in fund net assets) and changes in cash flows (depicted by a statement of changes in cash flows). The accrual basis, under which revenues are recorded when the related liabilities are incurred, is used to account for the Proprietary funds. The accounting principles utilized for these funds are very similar to those used in private industry.

The Fiduciary Fund which is maintained by the City, the Agency Fund, is purely custodial in nature (i.e., assets equal liabilities) and accordingly, the results of operations are not measured.

## **NOTES TO FINANCIAL STATEMENT**

The notes provided in the Financial Section of this report are considered an integral, essential part of adequate disclosure and fair presentation of this financial report. The notes include a Summary of Significant Accounting Policies for the City and other necessary disclosures of pertinent matters relating to the financial position of the City. The Notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

## **THE REPORTING ENTITY AND ITS SERVICES**

The funds and entities related to the City of Auburn Hills included in this Comprehensive Annual Financial Report are considered to be within the overall responsibility of the Mayor and City Council. The criteria used in determining the reporting entity is consistent with the Governmental Accounting Standards Board Codification Section 2100. Based on these criteria, the various funds and component units shown in the Table of Contents are included in this report.

## **DESCRIPTION OF CITY OPERATION**

### **Background:**

The City of Auburn Hills is geographically located in the southeast region of Michigan's lower peninsula, a suburb of the Greater Detroit Metropolitan area. The City has an estimated population of approximately 20,000. Further information regarding the description of the City and its operations is included in Note A of the Financial Statements.

### **Organization of Government Unit:**

The City was incorporated as a City in 1983, and is presently a Home-Rule City under the Home Rule Cities Act; being Act 279, Public Acts of Michigan, 1909, as amended (the "Home Rule Act"). The City operates under the Council-Manager form of government. The Council Members are elected at large. The terms of the Council are staggered. Four Council members are elected every two years, three for a four-year term and one for a two-year term. Every two years the Mayor is elected from the members of the City Council for a two-year term. The City Manager is appointed by and serves at the pleasure of the Council and is responsible for the City's day-to-day operations. An organization chart depicting the City structure is shown on the page preceding this transmittal letter. The Finance Officer is the Chief Financial Officer of the City and assists the City Manager and City Council in fulfilling their responsibilities in the financial area. The City has net assets totaling approximately \$172 million and annual expenses of approximately \$36 million for the governmental and business-type activities.

### **Services Provided:**

The City of Auburn Hills provides a full range of services to its residents including police and fire protection, street maintenance, water and sewer services, community enrichment and recreation services, as well as other general governmental functions.

## **INTERNAL AND BUDGETARY CONTROL**

City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurances, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial information for both internal and external reporting purposes. The State of Michigan statutes require that all local units of government prepare, approve, and adopt an annual budget. Funds that have budgets cannot legally exceed their appropriations.

Budgetary control is maintained at the sub-function level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. There were no encumbrances at the end of the year, since they became valid accounts payable or the encumbered amounts were released.

## **ECONOMIC CONDITION AND OUTLOOK**

2004 continued to present financial challenges to all local governments, including the City of Auburn Hills. As the burden of declining state-shared revenue continued, so did the increased number of tax appeals by private sector corporations within our City limits and a continued leveling off of new private development.

To address these challenges, the City continued to aggressively pursue new public and private initiatives to enhance our local economy. This included the encouragement and facilitation of new private developments in 2004, such as the Auburn Financial Center, Borg Warner's World Headquarters, Eagle Ottawa Headquarters and Ashford Commons in the Village Center. Strategic public investment initiatives included a significant renovation to Auburn Hills City Hall, advance planning for a new Recreation and Senior Citizens Center, the completion of a new club house at Fieldstone Golf Club and additional public parking in the Village Center. The City took further steps to control expenditures by carefully monitoring staffing levels and delaying other lower priority public improvement projects.

### *New Private Development*

Although the City continues to build out and the number of developable sites reduces, we are fortunate enough to continue to see high quality development and redevelopment proposals. 2004 brought forth a change in development strategy for the Dutton Corporate Center from a research/technology/manufacturing focus to one that includes retail, entertainment and residential components. This shift from light manufacturing will certainly enhance the project's long term viability. The Auburn Financial Center, a \$100 million project, consisting of two – 10 story towers, with more than 550,000 square feet of premier office space, proposed for the Five Points area, was unveiled, designed to bring a significant financial services industry presence to the City. Commitments from Borg Warner and Eagle Ottawa to locate headquarters facilities here in Auburn Hills greatly improved the city's image as the economic engine for Oakland County and the State of Michigan.

### *Property Tax Millage Management*

In 2004, the City Council continued its practice of reducing the tax rate as the overall City's assessed value modestly expanded. The decrease was small and City Council struggled with the realities of an under funded Fire Department. The fact that the Fire millage is no longer producing enough revenue to cover its expenses came to the forefront during budget preparation. The City recognizes the desire of its residents to have quality public safety protection and will need to address the issue of budgetary shortfalls in the Fire Department in 2005.

Auburn Hills has been fortunate to have had a growing tax base over the last several years. The conservative and responsible financial philosophies of both past and present City Council's has taken on a "pay-as-you-go" approach to doing business. This has resulted in the City maintaining very low debt in relation to its bonding capacity. The continuing investment in the Village Center, ongoing infrastructure improvements, and the expansion and improvement of municipal facilities has been done with dollars that have been set aside in anticipation of such projects. The City has issued no new bonds or incurred no new debt.

## **MAJOR INITIATIVES**

### *New Public Investment*

2004 included the majority of construction on a new addition to Auburn Hills City Hall. Following the City Hall project, a citizen advisory committee completed their planning for a new 25,000 square foot Recreation and Senior Citizens Center that will become a centerpiece of the municipal campus. The building includes components that will serve the intergenerational needs of the entire City population – from our young children to the eldest of our senior citizens. Successfully utilizing the Tax Increment Financing economic tool, the building will be paid in full when it opens its doors in Summer 2006. Finally, the City was pleased to have opened its new, much needed full service clubhouse at Fieldstone Golf Club. Having been operating out of a modular building since the opening of the course, the Fieldstone staff is enthusiastic about the prospects of being able to offer the final component needed to successfully operate a golf course facility in a manner in which the public expects.

### *Key Private Developments*

While the City has always appreciated the presence of its corporate citizens, it was particularly proud in 2004 to learn of the decision by Borg Warner Corporation to move its world headquarters from Chicago to Auburn Hills. Borg Warner already had a significant presence in

the City with the operation of its technical center at the north end of the community. Adding the corporate headquarters was "the icing on the cake".

Residential development continues to move at a brisk pace. Forester Square boasts new-urbanism lifestyle with a variety of townhouse and single family residential offerings. Arbor Cove, located along Squirrel Road at the north end of the City, is a successful development that offers upscale duet condominiums and is nearly sold out. Likewise, the Auburn Park Condominiums on Baldwin Road continue to sell at a very fast pace. Other residential projects such as the Shimmons Woodgrove Subdivision, the Thornhill Subdivision and Auburn Grove Condominiums have begun to see increasing sales.

#### *The Village Center*

The Village Center has been and continues to be a great source of pride for the City. The Village Center, without question, has transformed from a tired and antiquated business district to a polished and beautiful community gathering place. Residential and retail projects such as Astoria Park and Riverwalk have added dramatically to the foundation of the future of the Village Center. With additional investment to other buildings and lots, the area is truly taking shape. Ashford Commons, on Auburn Road, is another attractive, highly visible development adding to the character of the area and further strengthening its economic impact.

The City has done its part to responsibly purchase, clear and re-build sites in the area to provide public parking to serve the needs of all the redevelopment taking place within the Village Center. Forester Square and other residential developments in the area will be the driving force in attracting new retail to the area. Furthermore, the city's public parking strategy will be another key to retailers' success by providing an ample supply of convenient, free parking that is well designed and well maintained. The entire Village Center is truly a partnership of both public and private efforts to create a sustainable long term focal point for the community.

In summary, the city responded to shrinking state shared revenue and aggressive tax appeals by attracting high quality, sustainable private development to the city, investing in key infrastructure and other public improvement projects, and by placing additional controls on administrative hiring and spending to create an overall financial picture that is still the envy of every other community in the region.

### **ENTERPRISE OPERATIONS**

The City of Auburn Hills operates Water and Sewer Funds that provide water and sewage service to all residents and businesses of the City on a cost reimbursement basis. In addition, beginning in 1995, the City began construction of an 18-hole, city owned golf course facility. This facility, Fieldstone Golf Club, was finished and began operations in mid-1998. Operating Revenues and Net Income for 2004 and 2003 are presented below:

	<u>Operating Revenues</u>		<u>Change in Net Assets (Loss)</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Water Fund-----	\$ 3,904,322	\$ 3,864,093	(\$ 153,112)	(\$ 1,066,718)
Sewer Fund -----	3,928,117	3,911,956	1,216,370	( 120,608)
Fieldstone Golf Club -----	<u>1,737,742</u>	<u>1,475,525</u>	<u>1,753,294</u>	<u>( 107,669)</u>
Total-----	<u>\$ 9,570,181</u>	<u>\$ 9,251,574</u>	<u>\$ 2,816,552</u>	<u>(\$1,294,995)</u>

### **PENSION OPERATIONS**

The City of Auburn Hills maintains a single-employer defined benefit pension plan. The latest actuarial report, for the period ended December 31, 2003, showed 84 active participants, 50 current retirees, and 44 terminated vested employees. At December 31, 2004 the pension assets of the City of Auburn Hills pension plan totaled \$21,163,078.

During 1998, the City created a defined contribution pension plan, administered by the International City Managers Association (ICMA). This is the only plan available to new employees of the City. While not only decreasing the total pension cost to the City, it will also provide a more portable pension benefit to the employees of the City.

## CASH MANAGEMENT

Excess cash of the City is held in short-term Certificates of Deposit (less than 90 days), various checking accounts, and a governmental money market fund. This arrangement allows almost all cash to remain in accounts earning market rates of interest until checks are presented at the bank against one of the checking accounts. During 2004, the City earned \$775,912 in interest, an approximate return of 1.75%.

## DEBT ADMINISTRATION

At December 31, 2004, the City had a number of debt issues outstanding. The issues included \$945,000 of general obligation unlimited tax bond issues, \$20,725,000 of general obligation limited tax bond issues, and \$1,461,950 in land contracts, obligations to Oakland County, installment loans, and Michigan Tax Tribunal property tax appeals. The City has an A+ and A rating from Standard & Poor's Corporation and a A1 and A2 from Moody's Investors Service on general obligation unlimited tax bond issues and on issues with tax limitations, respectively.

The City debt limit, as defined by statute, is ten percent (10%) of equalized property values or \$244,815,788. Total City long-term debt was \$23,131,949 at December 31, 2004. Of this amount, \$16,170,000 is subject to the debt limit.

At December 31, 2004, \$246,516 is available for retirement of City debt.

Summarized below is the debt of the City, including both general obligations of the City and obligations of the City's component units.

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net Bonded Debt Per Capita-----	\$410	\$418	\$479	\$560	\$966
Net Bonded Debt as a Percentage of Assessed Value of Taxable Property-----	.3%	.4%	.4%	.5%	1.0%
Debt Service Expenditures as a Percentage Of Governmental Expenditures (Including Debt Service Expenditures)-----	5.6%	8.6%	13.8%	11.1%	10.3%

## RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for these potential risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five years.

## INDEPENDENT AUDIT

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC was selected by the City Council to perform this required audit. The auditor's opinion covers the basic financial statements. The auditors do not audit nor extend an opinion on either the transmittal letter or statistical section.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn Hills, Michigan for its comprehensive annual financial report for the fiscal year ended December 31, 2003. This is the sixth consecutive year that the City has participated in this program and received the award. The award will not be received in 2004 due to a late submission of the 2004 financial report.

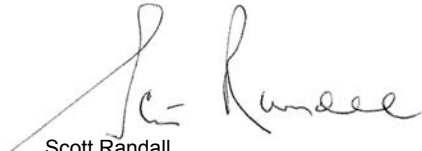
In order to be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program's requirements, however we are not submitting it to GFOA to determine its eligibility for another certificate, due to late submission.

#### **ACKNOWLEDGMENT**

The preparation of this Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Office and other City Departments that contributed to the preparation of this report. We would also like to thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Scott Randall  
City Manager



Gary Barnes  
Finance Officer

## **II. FINANCIAL SECTION**

**The Financial Section Contains:**

- A. Auditor's Report**
- B. Management's Discussion and Analysis**
- C. Basic Financial Statements**
- D. Notes to Financial Statements**
- E. Required Supplementary Information**
- F. Other Supplementary Information**





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## Independent Auditor's Report

To the Honorable Mayor and Members of the City Council  
City of Auburn Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn Hills, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn Hills' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn Hills as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedules of funding progress and employer contributions, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn Hills' basic financial statements. The accompanying introductory section, other supplemental information, and statistical section as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining balance sheets and combining statements of revenue, expenditures and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

August 2, 2005

*Plante & Moran, PLLC*



A worldwide association of independent accounting firms

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF AUBURN HILLS

As the management of the City of Auburn Hills, we offer readers of the Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the City of the year ended December 31, 2004. We encourage readers to consider the following information in conjunction with the information presented in the City's financial statements and transmittal letter.

### **FINANCIAL HIGHLIGHTS**

The assets of the City of Auburn Hills exceeded its liabilities at the close of the most recent fiscal year by \$172,149,811 (net assets). Of this amount, \$117,316,341 is the investment in capital assets (net of related debt), \$20,926,991 are assets restricted for specific purposes and functions, while the remaining \$33,870,479 represents unrestricted net assets which may be used to meet the demand for resources for the ongoing functions of the City.

The City's total net assets increased by \$4,485,181. This net increase is attributable to the use of current resources to liquidate long-term liabilities of the City and the results of on-going operations. By using current resources, or revenue, to reduce liabilities on the balance sheet rather than expensing these costs the net assets increase. The increase in the net assets of the governmental activities was \$2,012,022 while the business-type activities realized an increase in total net assets of \$2,838,159.

At December 31, 2004, the City of Auburn Hills' governmental funds reported combined fund balances of \$21,314,688, an increase of \$2,136,263 from the December 31, 2003 balance of \$19,178,425. This increase was attributable to a planned increase in General Fund's fund balance combined with excess revenues over expenditures in many of the other governmental funds.

At December 31, 2004, unreserved fund balance for the General Fund was \$2,728,861 or 26.5% of total General Fund 2004 expenditures and transfers.

The total long-term debt of the City of Auburn Hills decreased by \$1,500,670 from \$24,632,619 to \$23,131,949. This reduction was attributable to principal payments made on long-term debt in 2004 in the amount of \$2,355,545 combined with an increase in Tax Tribunal Cases in the amount of \$854,875. This increase in Tax Tribunal Cases was due to the filing of numerous appeals of property tax valuations and an additional year of contested taxes accruing on outstanding appeals. There were no new debt issuances by the City during 2004.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Auburn Hills' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during 2004. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., multi-year special assessments and other receivables not collected within sixty days of the end of the fiscal year).

Both of the government-wide financial statements distinguish functions of the City of Auburn Hills that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Auburn Hills include legislative, management and planning, public safety, streets, highways & public improvements, community and economic development, and general support. The business-type activities of the City include the water and sewer departments and Fieldstone Golf Club, a municipal golf course.

The government-wide financial statements include not only the City itself (known as the primary government) but also includes five legally separate component units for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found as Exhibits A-1 and A-2 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Auburn Hills, like most other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to comply with State and GASB (Government Accounting Standards Board) requirements for governmental accounting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resource available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term ability to meet financial commitments.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Auburn Hills maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, four special revenue funds, and one debt service fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation entitled "Other Non-Major". Individual fund data for each of these non-major governmental funds is provided in the form of combining fund financial statement in this report.

The City of Auburn Hills adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as Exhibits A-3 and Exhibits A-5 of this report.

**Proprietary Funds.** The City of Auburn Hills utilizes two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water Department, Sewer Department, and Fieldstone Golf Club municipal golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City utilizes internal service funds to account for its fleet of vehicles and equipment and for the accounting of the liability for unused, earned accrued sick and vacation hours. These functions have been allocated to governmental activities and business-type activities in the same proportion as the amount of services these functions provide to the activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Fieldstone Golf Club funds. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements beginning with Exhibit G-1.

The basic proprietary fund financial statements can be found as Exhibit A-7, A-8, and A-9 of this report.

**Fiduciary Fund.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of this fund are not available to support the City of Auburn Hill's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are the agency fund and the pension fund.

The fiduciary fund financial statements can be found as Exhibit A-10 and Exhibit A-11 of this report.

**Component Units Presentation.** The government-wide financial statements include not only the financial information for the City of Auburn Hills (the primary government), but also five legally separate component units for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The basic component unit financial statements can be found as Exhibit A-12 and Exhibit A-13 of this report.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF AUBURN HILLS

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as Exhibit A-14 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Auburn Hill's progress in funding its obligation to provide pension benefits to its employees. In addition, budgetary comparison schedules are provided for all major governmental funds. This information can be found on Exhibit B-3, Exhibit B-4, Exhibit B-5 and Exhibit B-6 of this report.

### Government-Wide Financial Analysis

As discussed earlier, net assets over time may serve as a useful indicator of the City of Auburn Hill's financial position. Assets of the City of Auburn Hills exceeded liabilities by \$172,149,811 at December 31, 2004.

The net assets for the City of Auburn Hills is comprised of \$20,962,991 in assets which are restricted for specific programs and functions, \$119,416,332 investment in capital assets (land, streets, water and sewer mains, etc.) net of any related debt that is still outstanding to purchase or construct these assets, and \$31,770,488 in unrestricted assets. The City utilizes the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the outstanding debt issued to purchase or construct these assets (\$21,758,510), must be provided from other sources, since the capital assets themselves cannot be sold and the proceeds used to liquidate the outstanding debt.

#### Statement of Net Assets-City of Auburn Hills (in Millions)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Current and other asset -----	\$ 61.3	\$ 59.9	\$ 22.1	\$ 22.4	\$ 83.4	\$ 79.9
Capital assets -----	<u>72.1</u>	<u>72.8</u>	<u>67.4</u>	<u>65.1</u>	<u>139.5</u>	<u>140.1</u>
Total Assets -----	<u>133.4</u>	<u>132.7</u>	<u>89.5</u>	<u>87.4</u>	<u>222.9</u>	<u>220.0</u>
Long-term liabilities -----	8.4	9.3	13.9	22.4	22.3	23.9
Other liabilities -----	<u>26.1</u>	<u>26.5</u>	<u>2.3</u>	<u>65.1</u>	<u>28.4</u>	<u>28.8</u>
Total Liabilities -----	<u>34.5</u>	<u>35.8</u>	<u>16.2</u>	<u>87.4</u>	<u>50.7</u>	<u>52.7</u>
Net Assets:						
Invested in capital assets, Net of related debt -----	<u>64.5</u>	<u>63.8</u>	<u>52.8</u>	<u>52.2</u>	<u>117.3</u>	<u>116.0</u>
Restricted -----	21.0	20.9			21.0	20.9
Unrestricted -----	13.4	12.2	20.5	18.2	33.9	30.4
Total Net Assets -----	<u>\$ 98.9</u>	<u>\$ 96.9</u>	<u>\$ 73.3</u>	<u>\$ 70.4</u>	<u>\$172.2</u>	<u>\$ 167.3</u>

A portion of the City of Auburn Hill's net assets (12.2%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$31,770,488) may be used to meet the government's obligations to citizens and creditors.

At the end of 2004, the City of Auburn Hills is able to report positive balances in both categories of net assets, for the City as a whole, but also for both the governmental and business-type activities. This was also the case at the end of 2003.

The City's total net assets increased \$4,850,181. This net increase is attributable to the use of current resources to liquidate long-term liabilities of the City and the results of on-going operations. By using current resources, or revenue, to reduce liabilities on the statement of net assets, rather than expensing the costs the net asset balances increase. The increase in the net assets of the governmental activities was \$2,012,022 while the business-type activities realized an increase in total net assets of \$2,838,159. Detailed on the following page is a summary of the changes in the City's net assets:

**City of Auburn Hill's Change in Net Assets**

	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Total Primary Government</u></b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b><u>Revenues</u></b>						
Program Revenues:						
Charges for services -----	\$ 1.8	\$ 1.9	\$ 9.6	\$ 9.2	\$ 11.4	\$ 11.1
Operating grants and contributions ----	1.5	1.4			1.5	1.4
Capital grants and contributions -----		.5	2.2	2.0	2.2	2.5
General Revenues:						
Taxes -----	19.0	18.6	.8	.7	19.8	19.3
State shared revenues -----	1.6	1.7			1.6	1.7
Use of money and investments -----	1.1	.9	.2	.2	1.3	1.1
Other unrestricted revenues -----	3.1	1.8	.4	.5	3.5	2.3
Extraordinary Item – Reduction in MTT liability-----		1.4				1.4
Total revenues	28.1	28.2	13.2	12.6	41.3	40.8
<b><u>Expense</u></b>						
Legislative -----	.2				.2	
Management and planning-----	2.6	2.0			2.6	2.0
Public Safety -----	11.3	11.5			11.3	11.5
Streets, highways, & public improve. --	4.4	4.5			4.4	4.5
Community & economic dev. -----	2.2	2.1			2.2	2.1
General support -----	2.4	1.1			2.4	1.1
Interest on long-term debt -----	.4	.5			.4	.5
Increase in MTT liability-----	.8				.8	
Water -----			5.1	5.7	5.1	5.7
Sewer -----			4.5	5.8	4.5	5.8
Fieldstone Golf Club -----			2.6	2.3	2.6	2.3
Total expenses	24.3	21.7	12.2	13.8	36.5	35.5
Increase in net assets before transfers	3.8	6.5	1.0	1.2	4.8	5.3
Transfers -----	(1.8)		18		0	0
Increase (decrease) in net assets	2.0	6.4	2.8	( 1.2)	4.8	5.3

**Governmental Activities.** Governmental activities increased the City of Auburn Hill's net assets by \$2,012,022. The key elements affecting this change are as follows:

- The City of Auburn Hills spent a total of \$3,364,263 on purchase or construction of governmental activities capital assets during 2004. Under the previous accounting methodologies, this amount would have been a use of current resources and a corresponding reduction in fund balance. GASB-34 provisions require that these assets be capitalized which results in no reduction in total assets. However, the costs of assets are then allocated to the fiscal periods benefiting from their acquisition through the recording of depreciation expense. Recording this expense reduced total assets by \$2,521,632.
- The City made total long-term debt principal repayments totaling \$1,748,066 including calling all of the \$800,000 in remaining bonds on the Series 1993 Street Improvement bonds. Previously this would have been recorded as an expenditure reducing net assets.
- Property taxes increased by \$411,010 from \$18,612,560 to \$19,023,570 or an increase of 2.2%. All of this increase is attributable to increased property values or new construction considering the millage rate decreased slightly from 2003 to 2004.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF AUBURN HILLS

**Business-Type Activities.** Business-type activities increased the City of Auburn Hill's net assets \$2,838,159. Key elements of this decrease are as follows:

- Although the water and sewer funds incurred operating losses in the amount of \$1,256,897 and \$600,633, non-operating revenues and capital contributions contributed \$1,071,259 and \$1,784,477 to the net assets of these two funds respectively. The Fieldstone Golf Club fund had operating income of \$102,587 and an additional \$1,753,294 in net non-operating income (expenses) and capital contributions. The operating losses were the result of charges for water and sewer services not covering the direct operating costs of providing these services.

### Financial Analysis of the Government's Funds

As noted earlier, the City of Auburn Hills' uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Auburn Hills' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements and ability to meet financial demands as they occur. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Auburn Hill's governmental funds reported combined ending fund balances of \$21,314,688, an increase of \$2,136,263 from the 2003 balance of \$19,178,425. This is an increase of 11.0%. Approximately 97.7% of the total fund balance, or \$20,828,069 constitutes unreserved fund balance which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Auburn Hills. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,728,861, while total fund balance was \$3,215,480. Unreserved fund balance represents 26.5% of total general fund expenditures while total fund balance represents 31.25% of total general fund expenditures.

The fund balance of the City of Auburn Hills' general fund increased by \$940,364 when comparing it to the balance at December 31, 2003. The key factors in this increase are as follows:

- This increase comes from conservative budgeting in both areas of revenue and expense. Total revenue was under budgeted by \$223,396. Interest revenue was higher by \$74,132 and tax collections were over by \$157,380. The increase of the fund balance due to lower expenses than anticipated was caused by lower heating cost, \$106,695, unspent building improvement funds of \$122,078 and MTT under spent by \$33,381.

The fund balances in all other City of Auburn Hills' governmental funds increased by \$1,170,970, from \$16,903,309 to \$18,074,279, an increase of 6.9%. The key factor in this increase is as follows:

- In 2004, MTT expenses were budgeted at a higher amount than expended. This was due to high expenses in this area in 2003. The Police and Fire funds occurred expense less than the amended budget by \$1,063,440.
- The Police and Fire department expenses are under the amended budgets. The police Fund was under its amended budget, excluding MTT expense, by 1,091,625. The Fire Department, excluding MTT expenses, is under spent to its amended budget by \$738,745.

**Proprietary Funds.** The City of Auburn Hill's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Unrestricted net assets in the proprietary funds decreased a total of \$146,649.

- The water and sewer funds incurred operating losses in the amount of \$1,256,897 and \$600,633 respectively. These operating losses were the result of charges for water and sewer not covering the direct operating costs of providing these services. Fieldstone Golf Club had operating income of \$102,587.

### **General Fund Budgetary Highlights**

- A number of general fund departments' budgets exceeded the final expenses by small amounts. These excess budgets over expenditures were due to the anticipation of increased Michigan Tax Tribunal abatements that did not occur and the budgeting of a Boulevard irrigation system that will not be installed at present. In total, general fund appropriations were under budget by \$424,109.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Auburn Hill's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$119,416,332 (net of accumulated depreciation and related debt). This investment in capital assets includes water and sewer mains, office furniture and equipment, machinery and equipment, vehicles, buildings and improvements, roads, and storm drains.

Additional information regarding the City's capital assets can be found in Note E in Exhibit A-4 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Auburn Hills had total debt outstanding of \$23,131,949. The issues included \$945,000 of general obligation unlimited tax bond issues, \$64,845 of general obligation limited tax bond issues, and \$1,461,949 in land contracts and Michigan Tax Tribunal property tax appeals.

Total indebtedness of the City decreased \$1,500,670 from \$24,632,619 to \$23,131,949. This decrease resulted from principal payments of \$2,355,545 on outstanding bonds and other installment loans, payments of \$2,206,812 for MTT appeals. There was no new debt issued by the City in 2004.

The City has an A+ and A rating from Standard & Poor's Corporation and a A1 and A2 from Moody's Investors Service on general obligation unlimited tax bond issues and on issues with tax limitations, respectively.

The City debt limit, as defined by statute, is ten percent (10%) of equalized property values or \$244,815,788. Total City long-term debt was \$22,131,949 at December 31, 2004. Of this amount, \$16,170,000 is subject to the debt limit. Currently the City is utilizing only 6.6% of its total debt capacity per state statute.

Additional information on the City of Auburn Hill's long-term debt can be found in Note F of Exhibit A-14 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Auburn Hills at the end of 2004 was 5.6% which was an increase from the 2003 level of 4.1%. Although the increase in unemployment reflected the national trend, it was still very low for the region.
- The government expects to see reduced funding from the State of Michigan due to continuing budget problems at the State level.
- The City continues to experience significant increases in the cost of pension contributions and medical insurance rates due to the depressed stock market and the increasing costs of medical care respectively. These factors were considered in the 2005 budget process as well as negotiations with union bargaining groups of the City.
- The approved 2005 City of Auburn Hill's budget projected the general fund fund balance to increase by \$14,173 during 2005.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Auburn Hill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, City of Auburn Hills, 1827 N. Squirrel Rd., Auburn Hills, Michigan 48326.

# **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-1**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents (Note C and M).....	\$ 25,870,191	\$ 18,383,657	\$ 44,253,848	\$ 10,610,719
Receivables:				
Due from other governmental units.....	777,585	45,193	822,778	
Taxes.....	19,690,411		19,690,411	4,968,650
Accounts.....	1,336,005	1,423,437	2,759,442	76,500
Special Assessments.....	5,445,135	19,048	5,464,183	
Accrued interest.....		29,213	29,213	
Prepayments.....	486,619		486,619	
Internal Balances.....	826	(826)	0	
Inventories.....		102,879	102,879	
Capital assets (net of accum. deprec.): (Note E and Note M)				
Depreciable assets:				
Water and sewer mains.....		51,232,613	51,232,613	
Office furniture & equipment.....	206,511		206,511	
Machinery & equipment.....	825,739	920,454	1,746,193	
Vehicles.....	1,284,354	275,546	1,559,900	
Buildings & improvements.....	10,383,081	6,534,778	16,917,859	12,847,069
Roads.....	48,798,713		48,798,713	17,920,589
Storm drains.....	5,235,147		5,235,147	
Non-depreciable assets:				
Land & improvements.....	4,980,419	8,397,496	13,377,915	6,649,715
Unamortized discount & issuance costs.....		2,099,991	2,099,991	
Pension Asset (Note I).....	8,080,751		8,080,751	
<b>TOTAL ASSETS</b>	<b>133,401,487</b>	<b>89,463,479</b>	<b>222,864,966</b>	<b>53,073,242</b>
<b><u>LIABILITIES</u></b>				
Accounts Payable.....	2,054,786	1,370,564	3,425,350	1,039,996
Accrued payroll and other liabilities.....	312,163		312,163	
Due to other governmental units.....			0	4,368,583
Deposits payable.....	2,591,150		2,591,150	
Unearned revenue (Note D).....	19,690,411		19,690,411	4,970,250
Accrued interest payable.....	82,346		82,346	
Other liabilities.....		143,409	143,409	
Non-current liabilities:			0	
Current portion of long-term debt(Note F)...	946,563	715,939	1,662,502	
Long-term debt (net of current portion) (Note F and Note M).....	7,630,068	13,839,379	21,469,447	903,044
Compensated Absences (current).....	416,051	62,562	478,613	
Comp. Absences (net of current).....	784,010	75,754	859,764	
<b>TOTAL LIABILITIES</b>	<b>34,507,548</b>	<b>16,207,607</b>	<b>50,715,155</b>	<b>11,281,873</b>
<b><u>NET ASSETS</u></b>				
Invested in cap. assets (net of related debt)....	64,510,772	52,805,569	117,316,341	37,417,373
Restricted assets (Note B).....	20,962,991		20,962,991	4,373,996
Unrestricted.....	13,420,176	20,450,303	33,870,479	
<b>TOTAL NET ASSETS</b>	<b>\$ 98,893,939</b>	<b>\$ 73,255,872</b>	<b>\$ 172,149,811</b>	<b>\$ 41,791,369</b>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-2**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Legislative.....	\$ 243,425			
Management and planning.....	2,634,663	\$ 51,539		
Public safety.....	11,238,926	520,528	\$ 11,511	\$ 11,717
Streets, highways, & public improvements.....	4,392,660		1,340,988	
Community and economic development.....	2,150,856	1,228,273	112,030	23,500
General support.....	2,377,763			
Interest on long-term debt.....	435,346			
<b>Total Governmental Activities</b>	<b>23,473,639</b>	<b>1,800,340</b>	<b>1,464,529</b>	<b>35,217</b>
Business-type activities:				
Water.....	5,153,098	3,904,322		846,356
Sewer.....	4,525,830	3,928,117		1,385,623
Fieldstone Golf Club.....	2,555,313	1,737,742		
<b>Total Business-Type Activities</b>	<b>12,234,241</b>	<b>9,570,181</b>	<b>0</b>	<b>2,231,979</b>
<b>Total Primary Government</b>	<b>\$ 35,707,880</b>	<b>\$ 11,370,521</b>	<b>\$ 1,464,529</b>	<b>\$ 2,267,196</b>
Component units:				
TIFA 85-A.....	\$ 849,906			
TIFA 85-B.....	120,140			
TIFA 86-D.....	602,295			
Brownfield Authority.....	621,175			
Economic Development Corporation.....	1,261	1,615		
<b>Total Component Units</b>	<b>\$ 2,194,777</b>	<b>\$ 1,615</b>	<b>\$ 0</b>	<b>\$ 0</b>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Units</u>
	\$ (243,425)		\$ (243,425)	
	(2,583,124)		(2,583,124)	
	(10,695,170)		(10,695,170)	
	(3,051,672)		(3,051,672)	
	(787,053)		(787,053)	
	(2,377,763)		(2,377,763)	
	<u>(435,346)</u>		<u>(435,346)</u>	
	<u>(20,173,553)</u>		<u>(20,173,553)</u>	
		\$ (402,420)	(402,420)	
		787,910	787,910	
		<u>(817,571)</u>	<u>(817,571)</u>	
	<u>0</u>	<u>(432,081)</u>	<u>(432,081)</u>	
	<u>(20,173,553)</u>	<u>(432,081)</u>	<u>(20,605,634)</u>	
				\$ (849,906)
				(120,140)
				(602,295)
				(621,175)
				<u>354</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,193,162)</u>
General Revenues:				
Taxes.....	19,023,570	770,000	19,793,570	6,165,294
State shared revenues.....	1,610,535		1,610,535	
Use of money and investments.....	1,142,577	203,158	1,345,735	116,408
Gain on disposal of property.....			0	326,115
Other general revenues:				
Landfill proceeds.....	557,865		557,865	
Franchise fees.....	202,536		202,536	
Cellular lease.....	63,580		63,580	
Road-paving reimbursement.....	136,437		136,437	
Other general revenues.....	2,178,892	432,030	2,610,922	
Transfers.....	(1,865,052)	1,865,052	0	
Extraordinary item-increase in MTT liability.....	<u>(865,365)</u>		<u>(865,365)</u>	<u>(672,619)</u>
<b>Total General Revenues, Transfers and and Extraordinary Item</b>	<u>22,185,575</u>	<u>3,270,240</u>	<u>25,455,815</u>	<u>5,935,198</u>
Change in net assets.....	2,012,022	2,838,159	4,850,181	3,742,036
Net assets-beginning Balance.....	<u>96,881,917</u>	<u>70,417,713</u>	<u>167,299,630</u>	<u>38,049,333</u>
<b>Net Assets-ending.....</b>	<u>\$ 98,893,939</u>	<u>\$ 73,255,872</u>	<u>\$ 172,149,811</u>	<u>\$ 41,791,369</u>

**BALANCE SHEET-GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-3**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Police</u>
<b>ASSETS</b>				
Cash and cash equivalents (Note C).....	\$ 4,397,945	\$ 684,900	\$ 364,816	\$ 13,090,567
Receivables:				
Due from other governmental units.....	569,223	140,705	42,309	
Taxes.....	4,838,771			11,168,592
Due from other funds (Note G).....	421,338			287,522
Accounts.....	266,484			170,146
Special Assessments.....	2,933			
Prepays.....	486,619			
<b>TOTAL ASSETS</b>	<u>\$ 10,983,313</u>	<u>\$ 825,605</u>	<u>\$ 407,125</u>	<u>\$ 24,716,827</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 709,516	\$ 106,311	\$ 49,365	\$ 332,186
Accrued payroll and other liabilities.....	93,592	8,485	6,182	137,800
Due to other governmental units.....				
Due to other funds (Note G).....	419,267	26,030	16,218	559,844
Deposits payable.....	1,535,568	500,627	329,840	
Deferred revenue (Note D).....	5,009,890			11,334,955
<b>TOTAL LIABILITIES</b>	<u>7,767,833</u>	<u>641,453</u>	<u>401,605</u>	<u>12,364,785</u>
<b>FUND BALANCES</b>				
Fund balances-Reserved for:				
Prepayments.....	486,619			
Fund balances-Unreserved:				
Designated for subsequent year's budget:				
Reported in special revenue funds.....		120,618	5,520	
Reported in debt service funds.....				
Reported in capital project funds.....				
Undesignated:				
Reported in general fund.....	2,728,861			
Reported in special revenue funds.....		63,534		12,352,042
Reported in debt service funds.....				
Reported in capital project funds.....				
<b>TOTAL FUND BALANCES</b>	<u>3,215,480</u>	<u>184,152</u>	<u>5,520</u>	<u>12,352,042</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,983,313</u>	<u>\$ 825,605</u>	<u>\$ 407,125</u>	<u>\$ 24,716,827</u>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

<u>Fire</u>	<u>Brown Rd. Spec. Assess.</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 1,992,088	\$ 157,977	\$ 4,187,278	\$ 24,875,571
		25,348	777,585
3,284,688		398,360	19,690,411
84,560		30,330	823,750
200		129,906	566,736
	5,442,202		5,445,135
			486,619
<u>\$ 5,361,536</u>	<u>\$ 5,600,179</u>	<u>\$ 4,771,222</u>	<u>\$ 52,665,807</u>
\$ 33,721		\$ 550,410	\$ 1,781,509
60,588		1,023	307,670
165,293		46,368	1,233,020
4,302		220,813	2,591,150
<u>3,284,688</u>	<u>\$ 5,404,000</u>	<u>404,237</u>	<u>25,437,770</u>
3,548,592	5,404,000	1,222,851	31,351,119
			486,619
		208,967	335,105
	2,518	117,063	119,581
			2,728,861
1,812,944		3,111,655	17,340,175
	193,661	129,453	323,114
		(18,767)	(18,767)
<u>1,812,944</u>	<u>196,179</u>	<u>3,548,371</u>	<u>21,314,688</u>
<u>\$ 5,361,536</u>	<u>\$ 5,600,179</u>	<u>\$ 4,771,222</u>	<u>\$ 52,665,807</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-4**

Total fund balances of governmental funds (See Exhibit A-3) \$ 21,314,688

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Office furniture & equipment.....	\$ 206,511	
Machinery & equipment.....	825,739	
Vehicles.....	1,284,354	
Buildings & improvements.....	10,383,081	
Land & improvements.....	4,980,419	
Streets.....	48,798,713	
Storm drains.....	<u>5,235,147</u>	71,713,964

Allocation of Internal Service Funds to Governmental activities:

Fleet Management (exclusive of Fleet Management capital assets).....	696,154
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the funds.

Governmental obligation loans payable.....	7,170,000	
Land contract payable.....	33,192	
Accrued interest payable.....	82,346	
Tax tribunal cases.....	<u>1,373,439</u>	(8,658,977)

Other long-term assets are not available to pay for current period  
expenditures and therefore are not reported in the funds.

Special assessments receivable.....	5,530,000	
Police department receivables for fines and services rendered.....	211,482	
Grant receivables.....	<u>5,877</u>	5,747,359

Record Pension Asset.....	<u>8,080,751</u>
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Net assets of governmental activities \$ 98,893,939

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCES--GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-5**

	<u>General</u>	<u>Major Streets</u>
<b>REVENUE</b>		
Property taxes.....	\$ 4,108,946	
Special assessments.....		
Licenses and permits.....	671,222	
Charges for services.....	396,485	
Fines and forfeitures.....		
Federal sources.....		
State sources.....	1,787,279	\$ 991,089
Use of money and property.....	1,005,081	4,583
Administrative and interfund charges.....	2,763,501	
Other.....	497,800	296
<b>TOTAL REVENUE</b>	<u>11,230,314</u>	<u>995,968</u>
<b>EXPENDITURES</b>		
Current operations:		
Legislative.....	245,775	
Management and planning.....	3,475,806	
Public safety.....		
Streets, highways, & public improvements.....	141,086	1,226,924
Community and economic development.....	2,056,450	
General support.....	2,433,195	
Capital outlay.....	553,458	
Debt service:		
MTT refunds.....	2,922	
Principal payments.....	19,488	
Interest.....	4,666	
<b>TOTAL EXPENDITURES</b>	<u>8,932,846</u>	<u>1,226,924</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<u>2,297,468</u>	<u>(230,956)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
General fund transfers.....	(1,357,104)	350,000
Transfers in from other funds.....		
Transfers out to other funds.....		(65,052)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,357,104)</u>	<u>284,948</u>
<b>REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>940,364</u>	<u>53,992</u>
Fund balance at beginning of year.....	<u>2,275,116</u>	<u>130,160</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 3,215,480</u>	<u>\$ 184,152</u>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

<u>Local Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Brown Rd Spec. Assess Debt</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	\$ 10,576,926	\$ 3,110,656		\$ 1,227,042	\$ 19,023,570
			\$ 364,000		364,000
	12,775			112,200	796,197
	386,483	89,555		470,284	1,342,807
	231,519			0	231,519
	0			108,311	108,311
\$ 298,163	11,511			610,237	3,698,279
2,615	183,940	69,838	330,041	34,581	1,630,679
	0				2,763,501
1,838	107,944	119,621		695,422	1,422,921
<u>302,616</u>	<u>11,511,098</u>	<u>3,389,670</u>	<u>694,041</u>	<u>3,258,077</u>	<u>31,381,784</u>
					245,775
				470,796	3,946,602
				14,406	12,343,121
825,247	9,582,679	2,746,036	275	310,630	2,504,162
				76,929	2,133,379
					2,433,195
	310,520	326,774		2,173,511	3,364,263
	5,069	1,491		1,008	10,490
		63,578	400,000	1,265,000	1,748,066
		2,458	301,750	142,542	451,416
<u>825,247</u>	<u>9,898,268</u>	<u>3,140,337</u>	<u>702,025</u>	<u>4,454,822</u>	<u>29,180,469</u>
<u>(522,631)</u>	<u>1,612,830</u>	<u>249,333</u>	<u>(7,984)</u>	<u>(1,196,745)</u>	<u>2,201,315</u>
350,000				657,104	0
				1,727,332	1,727,332
	<u>(1,302,332)</u>			<u>(425,000)</u>	<u>(1,792,384)</u>
<u>350,000</u>	<u>(1,302,332)</u>	<u>0</u>	<u>0</u>	<u>1,959,436</u>	<u>(65,052)</u>
(172,631)	310,498	249,333	(7,984)	762,691	2,136,263
<u>178,151</u>	<u>12,041,544</u>	<u>1,563,611</u>	<u>204,163</u>	<u>2,785,680</u>	<u>19,178,425</u>
<u>\$ 5,520</u>	<u>\$ 12,352,042</u>	<u>\$ 1,812,944</u>	<u>\$ 196,179</u>	<u>\$ 3,548,371</u>	<u>\$ 21,314,688</u>



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004  
CITY OF AUBURN HILLS**

**Exhibit A-6**

Net change in fund balance-total governmental funds (See Exhibit A-5) \$ 2,136,263

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement  
of Activities the cost of assets is allocated over their useful lives and reported as  
depreciation expense. Details of the adjustments are:

Capital outlay.....	3,364,263
Depreciation expense.....	(2,521,632)

The payment of principal on long-term debt consumes current financial resources of the  
of the governmental funds. However, on the Statement of Net Assets, repayment of  
principal is recorded as a reduction to long-term debt payable and does not have  
any effect on net assets.

Long-term debt principal repayment.....	1,748,066
MTT Refunds.....	10,490

The activities of the internal service funds are considered part of the governmental activities on the Government-Wide Statements but are not reported in the governmental funds.....	57,649
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Increase in liability for the MTT Appeals.....	(865,365)
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Revenues in the statement of activities that do not provide current financial resources (deferred revenues) are not reported as revenues in the funds.....	(1,016,830)
---	-------------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (Transfer to Golf club \$1,800,000 less accounts payable \$16,066).....	(1,783,934)
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Pension asset change revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.....	883,052
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Change in net assets of governmental activities	<u>\$ 2,012,022</u>
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See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

**STATEMENT OF NET ASSETS -- PROPRIETARY FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-7**

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents.....	\$ 778,603	\$ 16,764,716
Receivables:		
Accounts.....	602,184	678,463
Other governmental units.....	45,193	
Special assessments.....	11,319	7,729
Due from other funds (Note G).....	634,182	2,122,594
Accrued interest.....	15,237	13,976
Inventories.....	62,584	
<b>TOTAL CURRENT ASSETS</b>	<b>2,149,302</b>	<b>19,587,478</b>
<b><u>LAND, BUILDINGS AND EQUIPMENT</u></b>		
Water and sewer mains.....	28,700,940	31,007,380
Land and improvements.....		
Facilities.....		
Vehicles.....		
Other equipment.....	2,226,691	79,859
<b>TOTAL CAPITAL ASSETS</b>	<b>30,927,631</b>	<b>31,087,239</b>
Less: Allowance for depreciation.....	4,270,435	5,684,154
<b>TOTAL CAPITAL ASSETS NET OF DEPRECIATION</b>	<b>26,657,196</b>	<b>25,403,085</b>
Other non-current assets - unamortized discount & bond issuance costs.....		
<b>TOTAL FOR NON-CURRENT ASSETS</b>	<b>26,657,196</b>	<b>25,403,085</b>
<b>TOTAL ASSETS</b>	<b>28,806,498</b>	<b>44,990,563</b>
<b><u>CURRENT LIABILITIES</u></b>		
Current portion of long-term debt.....		
Accounts payable.....	423,181	800,588
Due to other funds (Note G).....	86,832	29,169
Other liabilities.....	18,805	6,571
<b>TOTAL CURRENT LIABILITIES</b>	<b>528,818</b>	<b>836,328</b>
LONG TERM DEBT-Net of current portion.....		
<b>TOTAL LIABILITIES</b>	<b>528,818</b>	<b>836,328</b>
<b><u>NET ASSETS:</u></b>		
Invested in capital assets net of related debt.....	26,657,196	25,403,085
Unrestricted.....	1,620,484	18,751,150
<b>TOTAL NET ASSETS</b>	<b>\$ 28,277,680</b>	<b>\$ 44,154,235</b>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

<b>Funds</b>			
	<b><u>Fieldstone Golf Club</u></b>	<b><u>Total</u></b>	<b><u>Internal Service</u></b>
	\$ 467,594	\$ 18,010,913	\$ 1,367,364
		1,280,647	
		45,193	
		19,048	
		2,756,776	1,338,377
		29,213	
	40,295	102,879	
	507,889	22,244,669	2,705,741
		59,708,320	
	8,397,496	8,397,496	
	7,880,085	7,880,085	
	17,105	2,323,655	3,108,693
	16,294,686	78,309,556	864,939
			3,973,632
	1,362,412	11,317,001	2,622,450
	14,932,274	66,992,555	1,351,182
	2,099,991	2,099,991	
	17,032,265	69,092,546	
	17,540,154	91,337,215	4,056,923
	715,939	715,939	
	44,382	1,268,151	375,690
	2,629,371	2,745,372	28,452
	116,349	141,725	1,344,554
	3,506,041	4,871,187	1,748,696
	13,839,379	13,839,379	
	17,345,420	18,710,566	1,748,696
	376,956	52,437,237	1,351,182
	(182,222)	20,189,412	957,045
	<u>\$ 194,734</u>		<u>\$ 2,308,227</u>

Amounts reported for business-type activities in the statement of net assets are different because:

Allocation of internal service fund (Fleet Management fund) to business-type activities.....	<u>629,223</u>
Net assets of business-type activities	<u>\$ 73,255,872</u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS -- PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-8**

	<b>Enterprise</b>	
	<b>Water</b>	<b>Sewer</b>
<b><u>OPERATING REVENUE</u></b>		
Water charges.....	\$ 3,365,490	
Sewer Charges.....		\$ 3,626,430
Water Connection Charges.....		
Hydrant and equipment rental.....		
Vehicle rental fees.....		
Green fees.....		
Golf cart rentals.....		
Practice range fees.....		
Merchandise sales.....		
Food & beverage sales.....		
Other operating income.....	538,832	301,687
<b>TOTAL OPERATING REVENUE</b>	<b>3,904,322</b>	<b>3,928,117</b>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and wages.....	578,540	196,964
Fringe benefits.....	398,547	90,122
Supplies.....	177,685	18,872
Contracted services.....	442,734	472,642
Other operating expenses.....	626,351	239,034
Administrative charges.....	534,992	421,047
Cost of water and sewage disposal.....	1,747,622	2,770,024
Depreciation and amortization.....	654,748	320,045
<b>TOTAL OPERATING EXPENSES</b>	<b>5,161,219</b>	<b>4,528,750</b>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>(1,256,897)</b>	<b>(600,633)</b>
<b><u>NONOPERATING REVENUE (EXP.)</u></b>		
Interest earned.....	13,740	187,692
Interest expense.....		
Property taxes.....		
Loss on disposal of fixed assets.....		
Other income.....	211,163	211,162
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<b>224,903</b>	<b>398,854</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS &amp; CAPITAL CONTRIBUTIONS</b>	<b>(1,031,994)</b>	<b>(201,779)</b>
<b><u>CAPITAL CONTRIBUTIONS</u></b>		
Capital and lateral charges.....	216,468	1,005,650
Other contributions.....		
Developer contributions.....	629,888	379,973
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>846,356</b>	<b>1,385,623</b>
<b>LOSS BEFORE OPERATING TRANSFERS</b>	<b>(185,638)</b>	<b>1,183,844</b>
<b><u>OPERATING TRANSFERS</u></b>		
Transfers-in.....	32,526	32,526
<b>TOTAL OPERATING TRANSFERS</b>	<b>32,526</b>	<b>32,526</b>
<b>CHANGE IN NET ASSETS</b>	<b>(153,112)</b>	<b>1,216,370</b>
Net assets (accumulated deficit)-beginning of year.....	28,430,792	42,937,865
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 28,277,680</b>	<b>\$ 44,154,235</b>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

Funds			
	Fieldstone Golf Club	Total	Internal Service
		\$ 3,365,490	
		3,626,430	
		0	
		0	\$ 1,240,395
			503,357
	\$ 1,278,147	1,278,147	
	6,183	6,183	
	54,765	54,765	
	93,597	93,597	
	300,609	300,609	
	4,441	844,960	109,642
	1,737,742	9,570,181	1,853,394
	307,016	1,082,520	299,924
	79,260	567,929	132,381
	259,115	455,672	257,345
	698,970	1,614,346	63,037
	56,324	921,709	459,121
		956,039	
		4,517,646	
	234,470	1,209,263	601,092
	1,635,155	11,325,124	1,812,900
	102,587	(1,754,943)	40,494
	865	202,297	3,159
	(920,158)	(920,158)	
	770,000	770,000	
		0	
		422,325	35,602
	(149,293)	474,464	38,761
	(46,706)	(1,280,479)	79,255
		1,222,118	
	1,800,000	1,800,000	
		1,009,861	
	1,800,000	4,031,979	0
	1,753,294	2,751,500	79,255
		65,052	
	0	65,052	0
	1,753,294	2,816,552	79,255
	(1,558,560)		2,228,972
	\$ 194,734		\$ 2,308,227

Amounts reported for business-type activities in the statement of activities are different because the business-type activities of the internal service fund have been added to these activities..... 21,607

Change in net assets of business-type activities \$ 2,838,159

**STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-9**

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers.....	\$ 3,589,872	\$ 3,710,767
Cash payments for goods and services.....	(3,034,386)	(3,771,638)
Cash payments to employees.....	(961,798)	(277,532)
Other operating expenses.....	(626,351)	(239,034)
Other operating income.....	538,832	301,687
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(493,831)</b>	<b>(275,750)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Operating transfers in .....	32,526	32,526
Other nonoperating receipts.....	211,163	(390,412)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>243,689</b>	<b>(357,886)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Principal paid on long term debt.....		
Interest paid on long term debt.....		
Capital and lateral charges.....	216,468	1,005,650
Purchase of capital assets.....	(655,951)	(99,172)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(439,483)</b>	<b>906,478</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest received on investments.....	13,740	187,692
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>13,740</b>	<b>187,692</b>
Net increase (decrease) in cash and cash equivalents.....	(675,885)	460,534
Cash and cash equivalents-Beginning of year.....	1,454,487	16,304,182
Cash and cash equivalents-end of year.....	<u>\$ 778,602</u>	<u>\$ 16,764,716</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss).....	\$ (1,256,897)	\$ (600,633)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Depreciation and amortization expense	654,748	320,045
Decrease (increase) in accounts receivable	283,622	145,634
Decrease (increase) in special assessments receivable	11,127	11,127
Decrease (increase) in inventory	25,108	
Decrease (increase) in due from other funds	(70,367)	(72,424)
Increase (decrease) in accounts payable	(154,796)	(89,053)
Increase (decrease) in due to other funds	(1,665)	
Increase (decrease) in accrued payroll and other liabilities	15,289	9,554
Total Adjustments	763,066	324,883
Net cash provided by (used in) operating activities	<u>\$ (493,831)</u>	<u>\$ (275,750)</u>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

During the year ended December 31, 2004, developers contributed \$1,009,861 of mains to the City, of which \$629,888 were water mains while the remaining \$379,973 were sewer mains.

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

<b>Funds</b>		
<b>Fieldstone</b>		
<b>Golf Club</b>	<b>Total</b>	<b>Internal Service</b>
\$ 1,737,742	\$ 9,038,381	\$ 1,743,906
(958,085)	(7,764,109)	(320,382)
(386,276)	(1,625,606)	(320,592)
(50,857)	(916,242)	(252,979)
	840,519	
<u>342,524</u>	<u>(427,057)</u>	<u>849,953</u>
	65,052	
<u>1,372,250</u>	<u>1,193,001</u>	<u>35,602</u>
1,372,250	1,258,053	35,602
(607,479)	(607,479)	
(706,580)	(706,580)	
	1,222,118	
	(755,123)	(444,101)
<u>(1,314,059)</u>	<u>(847,064)</u>	<u>(444,101)</u>
<u>865</u>	<u>202,297</u>	<u>3,159</u>
865	202,297	3,159
401,580	186,229	444,613
<u>66,014</u>	<u>17,824,683</u>	<u>922,751</u>
\$ <u>467,594</u>	\$ <u>18,010,912</u>	\$ <u>1,367,364</u>
\$ 102,587	(1,754,943)	40,495
234,470	1,209,263	601,092
	429,256	
	22,254	
12,203	37,311	
	(142,791)	(109,642)
549	(243,300)	206,142
	(1,665)	154
<u>(7,285)</u>	<u>17,558</u>	<u>111,712</u>
<u>239,937</u>	<u>1,327,886</u>	<u>809,458</u>
\$ <u>342,524</u>	\$ <u>(427,057)</u>	\$ <u>849,953</u>

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-10**

	<b><u>Agency Fund</u></b>	<b><u>Pension Trust Fund</u></b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents (Note C).....	\$ 12,419,537	\$ 8,051,648
Receivables:		
Accounts.....	218,220	
Accrued interest and dividends.....		1,307
Investments at fair value:		
Mutual funds.....	<u>                    </u>	<u>13,110,123</u>
<b>TOTAL ASSETS</b>	<u>12,637,757</u>	<u>21,163,078</u>
 <b><u>LIABILITIES</u></b>		
Due to other Funds.....	1,022,381	
Undistributed tax collections.....	<u>11,615,376</u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u>12,637,757</u>	<u>0</u>
 <b><u>NET ASSETS</u></b>		
Held in trust for pension benefits and other purposes.....	<u>\$ 0</u>	<u>\$ 21,163,078</u>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-11**

	<b>Pension Trust Fund</b>
<b><u>ADDITIONS</u></b>	
Contributions:	
Employer.....	\$ 2,079,729
Plan Members.....	217,818
<b>TOTAL CONTRIBUTIONS</b>	<u>2,297,547</u>
Investment earnings:	
Net increase in fair value of investments.....	1,771,075
Interest.....	1,307
<b>TOTAL INVESTMENT EARNINGS</b>	<u>1,772,382</u>
Less: investment expenses.....	<u>(129,073)</u>
<b>NET INVESTMENT EARNINGS</b>	<u>1,643,309</u>
<b>TOTAL ADDITIONS</b>	<u>3,940,856</u>
<b><u>DEDUCTIONS</u></b>	
Pension benefits.....	1,018,950
<b>TOTAL DEDUCTIONS</b>	<u>1,018,950</u>
<b>CHANGE IN NET ASSETS</b>	2,921,906
Net assets-beginning of the year.....	<u>18,241,172</u>
<b>NET ASSETS-END OF THE YEAR</b>	<u>\$ 21,163,078</u>

**STATEMENT OF NET ASSETS -- COMPONENT UNITS**  
**DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-12**

	<u><b>TIFA 85-A</b></u>	<u><b>TIFA 85-B</b></u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents (Note M).....	\$ 5,082,235	\$ 1,835,733
Receivables:		
Taxes.....	832,940	1,192,550
Due from Primary Government.....	26,060	9,331
Land (Note M).....	4,332,473	
Land Improvements (Note M).....	300,031	
Buildings & Improvements (Note M).....		
Construction in progress (Note M).....		
Roads and other infrastructure (Note M).....	15,507,657	1,792,699
<b>TOTAL ASSETS</b>	<u>26,081,396</u>	<u>4,830,313</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable.....	274,155	23,436
Due to other governmental units.....	3,240,343	1,094,474
Unearned revenue.....	832,940	1,192,550
Long-term debt (Note M).....	564,744	92,898
<b>TOTAL LIABILITIES</b>	<u>4,912,182</u>	<u>2,403,358</u>
<b><u>NET ASSETS</u></b>		
Investment in capital assets-net of related debt.....	20,140,161	1,792,699
Restricted for programs.....	1,029,053	634,256
<b>TOTAL NET ASSETS</b>	<u>\$ 21,169,214</u>	<u>\$ 2,426,955</u>

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

<u>TIFA 86-D</u>	<u>Brownfield Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
\$ 3,221,901	\$ 462,227	\$ 8,623	\$ 10,610,719
2,457,127	486,033		4,968,650
41,109			76,500
2,017,211			6,349,684
			300,031
9,230,500			9,230,500
3,616,569			3,616,569
620,233			17,920,589
<u>21,204,650</u>	<u>948,260</u>	<u>8,623</u>	<u>53,073,242</u>
460,797	281,608		\$ 1,039,996
33,766			4,368,583
2,457,127	486,033	1,600	4,970,250
223,577	21,825		903,044
<u>3,175,267</u>	<u>789,466</u>	<u>1,600</u>	<u>11,281,873</u>
15,484,513			37,417,373
2,544,870	158,794	7,023	4,373,996
<u>\$ 18,029,383</u>	<u>\$ 158,794</u>	<u>\$ 7,023</u>	<u>\$ 41,791,369</u>

**STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit A-13**

<u>COMPONENT UNITS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
TIFA 85-A.....	\$ 849,906		
TIFA 85-B.....	120,140		
TIFA 86-D.....	602,295		
Brownfield Authority.....	621,175		
Economic Development Corporation.....	1,261	1,615	
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 2,194,777</b>	<b>\$ 1,615</b>	<b>\$ 0</b>
General revenues			
Taxes.....			
Use of money and property.....			
Gain on disposal of property.....			
Transfers.....			
Extraordinary item-MTT increases.....			
<b>Total General Revenues, Transfers and Extraordinary Item</b>			
<b>Change in Net Assets</b>			
Net assets - beginning.....			
<b>Net Assets -- Ending</b>			

See Exhibit A-14, The Notes to Financial Statements are an integral part of the statement

**Net (Expense) Revenue and Changes in Net Assets**

<u>TIFA 85-A</u>	<u>TIFA 85-B</u>	<u>TIFA 86-D</u>	<u>Brownfield Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
\$ (849,906)	\$ (120,140)	\$ (602,295)	\$ (621,175)	\$ 354	\$ (849,906) (120,140) (602,295) (621,175) 354
<u>(849,906)</u>	<u>(120,140)</u>	<u>(602,295)</u>	<u>(621,175)</u>	<u>354</u>	<u>(2,193,162)</u>
\$ 1,055,687 46,020 326,115 1,250,000 (564,287) <u>2,113,535</u>	\$ 1,584,486 34,778 (1,275,000) (92,898) <u>251,366</u>	\$ 2,889,860 32,271 25,000 6,391 <u>2,953,522</u>	\$ 635,261 3,316 (21,825) <u>616,752</u>	\$ 23   <u>23</u>	\$ 6,165,294 116,408 326,115 0 (672,619) <u>5,935,198</u>
1,263,629 <u>19,905,585</u>	131,226 <u>2,295,729</u>	2,351,227 <u>15,678,156</u>	(4,423) <u>163,217</u>	377 <u>6,646</u>	3,742,036 <u>38,049,333</u>
<u>\$ 21,169,214</u>	<u>\$ 2,426,955</u>	<u>\$ 18,029,383</u>	<u>\$ 158,794</u>	<u>\$ 7,023</u>	<u>\$ 41,791,369</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF AUBURN HILLS

## EXHIBIT A-14

### **NOTE A – DESCRIPTION OF CITY OPERATIONS, REPORTING ENTITY, AND FUND TYPES**

The City of Auburn Hills was incorporated in 1983 out of the former Pontiac Township. The City covers an area of approximately 17.5 square miles and provides services to its 19,837 residents (2000 U. S. Census of Population) in many areas including police and fire protection, street maintenance, water and sewer services, community enrichment and recreation services, as well as other general governmental functions. The City is governed by an elected, seven-member non-partisan Council. The Council elects one of its members to serve as mayor.

As required by generally accepted accounting principles, these financial statements present the financial position and results of operation of the City of Auburn Hills (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### **Blended Component Units:**

The Auburn Hills Building Authority is a legally separate entity governed by a five-member Board that is appointed entirely by the City Council. It is reported as if it was part of the primary government because its primary purpose is to finance and construct the City's public facilities.

#### **Discretely Presented Component Units:**

The following component units are reported within the component unit column in the fund financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Tax Increment Finance Authorities (TIFAs) are governed by a seven-member Board. The Board is appointed by the Mayor and confirmed by the City Council. The City can significantly influence the operations of the TIFA Board since the City Council approves the TIFA budget's. The TIFAs were created to finance infrastructure improvements within certain boundaries of the City.

The Brownfield Authority is governed by a five-member Board. The Board is appointed by the Mayor and confirmed by the City Council. Since the City Council appoints the Brownfield Authority, the City can significantly influence the operations of the Authority. The five-member board is comprised of one member of the City Council and four citizens at-large. The Brownfield Authority was created to provide a means for financing remediation of Brownfield (environmentally contaminated) sites within the City.

The Economic Development Corporation (EDC) is governed by a nine-member Board. This Board is appointed by the Mayor and confirmed by the City Council. Accordingly, the City can significantly influence the operations of the Economic Development Corporation. The EDC was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the City. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises.

Although no separate financial statements are prepared for the component units, all financial information can be obtained from the City's Finance Department.

### **NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Auburn Hills conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by the City of Auburn Hills.

#### **Government-Wide and Fund Financial Statements**

During 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by

a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and the component units even though the fiduciary fund statements are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, the fiduciary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available for use. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the fiscal year. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal year. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Revenues which are considered measurable, but not available are recorded as a receivable and deferred revenue.

The City reports the following major governmental Funds:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City which are not required to be accounted for in other funds.
- b. The Major Streets fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.
- c. The Local Streets fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.
- d. The Police fund is used to account for the revenues and expenditures of the City of Auburn Hills Police Department. This fund is financed primarily through a separate millage specifically for Police services.
- e. The Fire fund is used to account for the revenues and expenditures of the City of Auburn Hills Fire Department. This fund is financed primarily through a separate millage specifically for Fire services.
- f. The Brown Road Special Assessment fund is used to account for the funding and payment of principal and interest on debt issued in 1999 for the paving of Brown Road adjacent to the Auburn Mile Development. Property tax special assessments are made to the business in this development.

Proprietary Funds are used to account for City operations which are similar to those often found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

The City reports the following major proprietary funds:

- a. The Water fund accounts for the operations of the City's water department which provides water services to all residents of the City on a user charge basis.
- b. The Sewer fund accounts for the operations of the City's Sewer Department which provides sewage disposal services to city residents on a user charge basis.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF AUBURN HILLS

## EXHIBIT A-14

- c. The Fieldstone Golf Club fund is used to account for the operations of the City's municipal golf course, Fieldstone Golf Club. This fund is funded primarily through user fees charged to individuals using these facilities.

Additionally, the City reports the following fund types:

- a. Internal Service Funds are used to record the financing of services provided by the City to other departments and funds on a cost reimbursement basis.
- b. Two Fiduciary funds: the Agency and Pension Fund. The Agency Fund is used to account for assets held by the City as an agent for other governments or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement or results of operations. The Pension Fund in 2004 was changed over from a third party managed activity to a City held and controlled trust. There is a Pension Board made up of 10 members that over see the Pension Plan. The Pension trust holds the resources for the members and beneficiaries of the defined benefit pension plan. There are no restrictions on the assets to pay any particular member of beneficiary.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

### **Property Taxes**

Property taxes and other revenue that are both measurable and available for use to finance operations of the City are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property tax becomes a lien on December 1 of the following year. The related property taxes are billed December 1 with the final collection date of February 28 before the delinquent taxes are turned over to the County for collection and payoff. Property taxes to finance 2004 operations were assessed December 31, 2002, levied on December 1, 2003, and substantially collected in January and February, 2004. See Note K for further information.

Property taxes levied December 1, 2004 will be used to finance the operations in 2005. As such, these taxes are recorded as deferred revenue in each respective fund at December 31, 2004.

### **Cash Equivalents**

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### **Investments**

Investments are recorded at fair value, based on quoted market prices.

### **Receivables and Payables**

In general, on the fund based statements, outstanding balances between funds are reported as "due to/from other funds." However, any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.



**Inventories and Prepaid Items**

Inventories in the business-type activities are valued at cost, on a first-in, first-out basis which approximates market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

**Fixed Assets**

Fixed assets, which include property, plant, equipment, infrastructure assets (e.g. roads, and storm water drains), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if the original purchase price is not available. Donated capital assets are recorded at estimated fair market value at the time of donation.

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are:

Water and Sewer Mains -----	100 years
Vehicles -----	3-5 years
Office Furniture and Equipment-----	3-5 years
Buildings and Improvements-----	30-35 years
Roads-----	40 years
Storm Drains-----	50 years

**Long-Term Liabilities**

In the government-wide financial statements and the fund financial statements for the proprietary fund types, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statement of net assets.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources in the period when the debt was issued. Bond premiums received on debt issuances are reported as other financing sources while bond discounts are reported as other financing uses in the period that the bonds were issued. Issuance costs are reported in the same period as the bond issuance and are reported as debt service expenditures.

**Employee Vacation and Sick Time**

City employees are granted vacation in varying amounts based on length of service. Vacation pay is accrued and fully vested when earned; upon termination, employees are paid accumulated vacation at full rates to a limit of their maximum accrual which varies by bargaining unit.

All employees accrue one day of sick time monthly. This sick time is fully vested when earned. Any accrued amount in excess of 240 hours is paid at full rates at the end of each year. Upon termination, employees are paid for their remaining sick time at full rates.

The liability for this accrued sick and vacation time is reported in the Accrued Sick and Vacation Internal Service fund.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# NOTES TO FINANCIAL STATEMENTS

## CITY OF AUBURN HILLS

## EXHIBIT A-14

### Restricted Net Assets:

Assets which are restricted net assets for specified uses by bond debt requirements, grant provisions, or other external requirements are classified as restricted net assets. Following is a list of restricted net assets:

Major Streets	\$ 184,152
Local Streets	5,520
Police	12,352,042
Fire	1,812,944
Brown Road Special Assessments	5,600,179
Tree Ordinance	621,697
Drug Forfeiture	80,360
Police Grants and Donations	17,475
Metro Act	42,106
Library Expansion	<u>246,516</u>

Total Restricted Assets \$ 20,962,991

In addition, the \$4,373,996 restricted net assets of the component units are restricted to be spent in accordance with the respective TIFA, Brownfield and EDC plan documents

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### NOTE C-CASH AND CASH EQUIVALENTS

The City's deposits and investments at December 31, 2004 under the balance sheet classification of "Cash and Cash Equivalents" are composed of the following components:

	<u>Primary Government</u>	<u>Pension Trust &amp; Agency Funds</u>	<u>Total</u>
Bank Deposits (checking account, savings accounts and Certificates of Deposit) -----	\$ 13,264,577	\$ 1,357,596	\$ 14,622,173
Petty Cash or cash on hand -----	4,771	100	4,871
Investments:			
Mutual Funds -----		13,110,123	13,110,123
Bank Investment Pools -----	<u>30,984,500</u>	<u>19,113,489</u>	<u>50,097,989</u>
Total -----	<u>\$ 44,253,848</u>	<u>\$ 33,581,308</u>	<u>\$ 77,835,156</u>

The above deposits, which include \$13,577,336 in Certificates of Deposit, were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$15,950,000. Of the bank balance, \$400,000 was covered by federal depository insurance and the remainder was neither insured nor collateralized. The City believes that due to the dollar amount of the cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in certificates of deposit, U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. The City has designated four banks for the deposit of funds. This designation is updated annually. The investment policy as adopted by the City Council in accordance with PA 196 of 1997 has authorized investments in certain federal government obligations, certificates of deposit, commercial paper, banker's acceptances and investment pools. To the extent that cash

from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool except that the Agency fund investment earnings are allocated to the General Fund.

The City's investments during 2004 consisted solely of bank investment pools and mutual funds. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk associated with the type of investment; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The City believes that the investments in these funds comply with the investment authority noted above. The mutual funds are registered with the Security Exchange Commission.

#### **NOTE D-DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<b><u>Unavailable</u></b>	<b><u>Unearned</u></b>
Property Taxes -----		\$19,690,411
Special Assessments -----	\$ 5,530,000	
Other -----	217,359	-
Total Deferred Revenue -----	<u>\$ 5,747,359</u>	<u>\$ 19,690,411</u>

#### **NOTE E-FIXED ASSETS**

Capital asset activity of the City's governmental and business-type activities was as follows:

<b>Governmental Activities</b>	<b><u>Balance Jan. 1, 2004</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance Dec. 31, 2004</u></b>
Capital assets not being depreciated:				
Land & Improvements -----	\$ 4,626,705	\$ 353,714	\$ 0	\$ 4,980,419
Capital assets being depreciated:				
Office Furniture & Equipment -----	827,668	50,941		878,609
Machinery & Equipment -----	2,003,797	408,485		2,412,282
Vehicles -----	4,766,475	550,040	48,815	5,267,700
Buildings & Improvements -----	14,784,029	1,469,720	1,800,000	14,453,749
Storm Drains -----	5,250,845	380,524		5,631,369
Roads -----	60,707,347	489,809		61,197,156
Subtotal .....	88,340,161	3,349,519	1,848,815	89,840,865
Accumulated Depreciation:				
Office Furniture & Equipment -----	561,093	111,005		672,098
Machinery & Equipment -----	1,271,116	315,427		1,586,543
Vehicles -----	3,487,495	528,732	32,881	3,983,346
Buildings & Improvements -----	3,700,013	370,655		4,070,668
Storm Drains -----	286,981	109,241		396,222
Roads -----	10,874,637	1,523,806		12,398,443
Subtotal .....	20,181,335	2,958,866	32,881	23,107,320
Net capital assets being depreciated .....	68,158,826	390,653	1,815,934	66,733,545
Net capital assets .....	<u>\$72,785,531</u>	<u>\$ 744,367</u>	<u>\$ 1,815,934</u>	<u>\$ 71,713,964</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF AUBURN HILLS

## EXHIBIT A-14

	<u>Balance at Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance at Dec. 31, 2004</u>
<b><u>Business-Type Activities</u></b>					
Capital assets not being depreciated:					
Land -----	8,314,199				\$ 8,314,199
Land Improvements -----	<u>83,297</u>			\$	<u>83,297</u>
Subtotal -----	<u>8,397,496</u>				<u>8,397,496</u>
Capital assets being depreciated:					
Water & Sewer Mains-----	58,155,775	1,552,545			59,708,320
Machinery & Equipment-----	3,357,546	240,758		(1,038,867)	2,559,437
Buildings and Improvements-----	6,080,085	1,800,000			7,880,085
Vehicles -----	<u>767,010</u>	<u>98,713</u>	<u>18,293</u>		<u>767,010</u>
Subtotal -----	68,360,416	3,692,016	18,293	(1,038,867)	70,995,272
Accumulated Depreciation:					
Water & Sewer Mains-----	7,886,299	589,408			8,475,707
Machinery & Equipment-----	2,261,905	415,945		(1,038,867)	1,638,983
Buildings and Improvements-----	1,112,638	232,669			1,345,307
Vehicles -----	<u>449,108</u>	<u>135,099</u>	<u>12,323</u>		<u>571,884</u>
Subtotal -----	<u>11,709,950</u>	<u>1,373,121</u>	<u>12,323</u>	<u>(1,038,867)</u>	<u>12,031,881</u>
Net capital assets being depreciated .....	<u>56,650,466</u>	<u>2,318,895</u>	<u>5,970</u>	<u>0</u>	<u>58,963,391</u>
Net capital assets .....	<u>\$ 65,047,962</u>	<u>\$ 2,318,895</u>	<u>\$ 5,970</u>	<u>\$ 0</u>	<u>\$ 67,360,887</u>

Depreciation expense was charged to programs of the primary government as follows:

### Governmental Activities

Management and Planning-----	\$ 10,177
Public Safety -----	456,088
Streets, highways & public improvements-----	1,908,624
Community and economic development-----	53,730
General support -----	93,012
Internal Service-----	<u>437,235</u>
Total governmental activities-----	<u>2,958,866</u>

### Business-Type Activities

Water-----	654,748
Sewer -----	320,045
Fieldstone Golf Club -----	234,470
Internal Service-----	<u>163,858</u>
Total business-type activities -----	<u>1,373,121</u>

Total Depreciation Expenses- \$4,077,326

The City of Auburn Hills had active construction projects at the end of the 2004. The project is a major addition to the City Hall facility. At year-end, the City's commitments with contractors are as follows:

	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Addition to City Hall facility-----	<u>\$3,262,418</u>	<u>\$ 300,000</u>

**NOTE F-LONG-TERM DEBT (including current portions)**

Long-term debt of the City is as follows:

	<b>Balance Jan. 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Dec. 31, 2004</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities:</u></b>					
4.4% to 5.0% Street Improvement Bonds, Issued 5/1/93, Original Issue Amount- \$2,600,000 -----	\$800,000		\$(800,000)	\$ 0	\$ 0
3.95% for 1999, Fire Station Installment Purchase Issued 12/3/93, Original Issue Amount- \$990,000, Interest rate determined annually -----	63,578		(63,578)	0	0
5.5% to 6.0% Library Improvement Bonds, Issued 12/1/94, Original Issue Amount- \$3,600,000 -----	1,360,000		(415,000)	945,000	450,000
4.6% to 6.0%, John E. Olsen Drain Project, Issued 7/1/96, Original Issue Amount- \$950,000 <sup>(2)</sup> -----	775,000		(50,000)	725,000	50,000
10.25%, Land Contract for Land Purchase, Issued 6/30/96, Original Issue Amount- \$150,000 <sup>(3)</sup> -----	52,679		(19,487)	33,192	21,563
4.5% to 5.5% Special Assessment Bonds, Issued 12/1/1999, Original Issue Amount- \$7,250,000 <sup>(1)</sup> -----	5,900,000		(400,000)	5,500,000	425,000
Tax Tribunal Cases <sup>(4)</sup> -----	518,564	\$ 919,720	(64,845)	1,373,439	0
Total Governmental Activities-----	9,469,821	919,720	( 1,812,911)	8,576,631	946,563
<b><u>Business-Type Activities</u></b>					
10.25%, Land Contract for Land Purchase, Issued 6/30/96, Original Issue Amount- \$250,000 <sup>(3)</sup> -----	87,798		(32,479)	55,319	35,939
5.5%, City of Auburn Hills Building Authority Bonds, Issued 1/31/96, Original Issue Amount-\$16,000,000 -----	1,000,000		(450,000)	550,000	550,000
3.45% to 5.0%, City of Auburn Hills Building Authority Bonds, Issued 4/28/99, Original Issue Amount-\$14,900,000 -----	14,075,000		(125,000)	13,950,000	130,000
Total Business-Type Activities-----	15,162,798	0	(607,479)	14,555,319	715,939
Grand Total-All Primary Government Long-Term Debt (Including Current Portion) -----	\$ 24,632,619	\$ 919,720	(2,420,390)	\$23,131,949	\$1,662,502

<sup>(1)</sup> The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. At December 31, 2004, the City has \$196,179 available in the Debt Service Funds for repayment of these bonds. In addition, there is \$5,404,000 of special assessments receivable in the future. Under Michigan law, the City is secondarily liable for payment of these bonds.

<sup>(2)</sup> The Olsen Drain project debt payment is recorded in the Storm Water Management Capital Project fund and is funded using general operating funds, which are transferred from the General Fund.

<sup>(3)</sup> These amounts represent the City liability of a land contract related to the purchase of land from an individual in 1997. The General Fund and the Fieldstone Golf Club enterprise fund have both shared in the cost of this acquisition, which was used to provide additional land for the Fieldstone Golf Club.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF AUBURN HILLS

### EXHIBIT A-14

<sup>(4)</sup>Tax Tribunal Cases represents the amount of City property tax assessments which have been contested and are subject to repayment contingent upon the determination of the Michigan Tax Tribunal.

**Defeased Debt**-In 1999, the Building Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At December 31, 2004, \$13,425,000 of bonds outstanding are considered defeased.

The annual requirements to pay principal and interest on the obligations (excluding tax tribunal cases) outstanding as of December 31, 2004 are shown below:

#### Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-----	\$ 946,563	\$ 368,566	\$ 1,315,129
2006-----	1,006,628	315,099	1,321,727
2007-----	525,000	275,125	800,125
2008-----	550,000	248,700	798,700
2009-----	575,000	220,975	795,975
2010-2014 -----	3,450,000	618,088	4,068,088
2015-2016 -----	<u>150,000</u>	<u>9,000</u>	<u>159,000</u>
TOTALS-----	<u>7,203,191</u>	<u>2,055,553</u>	<u>9,258,744</u>

#### Business-Type Activities:

2005-----	715,939	682,113	1,398,052
2006-----	784,380	642,963	1,427,343
2007-----	885,000	610,468	1,495,468
2008-----	790,000	572,855	1,362,855
2009-----	860,000	538,885	1,398,885
2010-2014 -----	6,020,000	2,005,450	8,025,450
2015-2017 -----	<u>4,500,000</u>	<u>452,400</u>	<u>4,952,400</u>
TOTALS-----	<u>14,555,319</u>	<u>5,505,134</u>	<u>20,060,453</u>

#### Total Primary Government:

2005-----	1,662,502	1,050,679	2,713,181
2006-----	1,791,008	958,062	2,749,070
2007-----	1,410,000	885,593	2,295,593
2008-----	1,340,000	821,555	2,161,555
2009-----	1,435,000	759,860	2,194,860
2010-2014 -----	9,470,000	2,623,538	12,093,538
2015-2017 -----	<u>4,650,000</u>	<u>461,400</u>	<u>5,111,400</u>
TOTALS-----	<u>\$21,758,510</u>	<u>\$7,560,687</u>	<u>\$29,319,197</u>

By statute, the City general obligation debt is restricted to 10% of the equalized value of all property in the City. Certain obligations, such as special assessment debt, are not subject to this limitation. At December 31, 2004, the City's debt limit amounted to \$244,815,788 and indebtedness subject to the limitation aggregated \$16,170,000.

# NOTE G-INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust & Agency	386,132
	Wayne Disposal	8,254
	Community Development Block Grant	<u>26,952</u>
Total General Fund		421,338
Police Fund	Trust & Agency	<u>287,522</u>
Total Police Fund		287,522
Fire Fund	Trust & Agency	<u>84,560</u>
Total Fire Fund		84,560
Nonmajor governmental funds	General Fund	10,518
	Major Streets	249
	Local Streets	181
	Police Fund	6,388
	Fire Fund	947
	Nonmajor governmental funds	16,769
	Internal Service Fund	169
	Water and Sewer Funds	726
	Fieldstone Golf Club	<u>54</u>
	Total Nonmajor governmental funds	30,330
Sewer Funds	Fieldstone Golf Club	2,050,170
	Trust & Agency	<u>72,424</u>
Total Sewer Fund		2,757,776
Water	Fieldstone Golf Club	563,816
	Trust & Agency	<u>70,366</u>
Total Water Fund		2,757,776
Accrued Sick and Vacation Fund	General Fund	408,749
	Major Streets	25,781
	Local Streets	16,037
	Police Fund	553,456
	Fire Fund	164,346
	Internal Service Fund	28,283
	Nonmajor governmental funds	11,119
	Water and Sewer Funds	115,275
	Fieldstone Golf Club	<u>15,331</u>
	Total Accrued Sick and Vacation fund	<u>1,338,377</u>
	Total	<u>\$4,879,555</u>

## NOTES TO FINANCIAL STATEMENTS

### CITY OF AUBURN HILLS

### EXHIBIT A-14

These balances result from the time lag between dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

#### **NOTE H-INTERFUND TRANSFERS**

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Streets	\$ 350,000
	Local Streets	350,000
	Nonmajor governmental funds	<u>657,104</u>
	Total General Fund	1,357,104
Nonmajor governmental funds	Nonmajor governmental funds	425,000
Major Streets	Water and Sewer Funds	65,052
Police Fund	Nonmajor governmental funds	502,332
Police Fund	Fieldstone Golf Club	<u>800,000</u>
Total		<u>\$3,149,488</u>

The large transfers from the General Fund to the Major and Local Street funds were to supplement the Act 51 resources provided by the State of Michigan for the maintenance of major and local roads (\$350,000 and \$350,000 respectively). The transfers to the nonmajor governmental funds were to provide funds for park improvements projects (\$325,000), to provide funds for sidewalk maintenance (\$30,000), to provide funds in the storm water fund (\$300,000), and provide funds to CDBG to cover non reimbursable expenses of (\$2,104).

The transfers to the nonmajor governmental funds represent transfers from the Wayne disposal fund (\$425,000) to the storm water fund (\$25,000) and to fund the street improvement fund (\$400,000) for construction of Lake Angeles Road.

The Police Fund transfers to the nonmajor governmental funds provided \$500,000 to the Retiree Benefit fund and \$2,332 to the Police Grant fund to cover the a local grant match.

Not shown in the City transfers above was a large transfer between component units. The TIFA B fund transferred (\$1,275,000) to the TIFA A (\$1,250,000) for City land and improvements, and TIFA D (\$25,000) for building construction and remodeling.

#### **NOTE I-RETIREMENT PLANS**

##### **DEFINED BENEFIT PLAN**

Plan Description-The City contributes to a single-employer defined benefit pension plan. This plan was available to all full-time employees hired prior to 1998, but is no longer available to new employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The plan is administered through the City of Auburn Hills Pension board. Due to it's nature, the plan does not issue an annual financial statement, either as a stand-alone financial report, or by inclusion in the report of a public employee retirement system or another entity.

Funding Policy-The obligation to contribute to and maintain the system for these employees was established by negotiation with three collective bargaining units. The plan required a contribution of 37.01% of gross wages for 2004.

Annual Pension Cost-For the year ended December 31, 2004, the City's annual pension cost of \$1,196,676 was equal to the City's required contribution of \$1,736,504, less interest of \$539,828 on the net pension asset. The City's actual contribution for the year



ended December 31, 2004 was \$2,079,729. The annual required contribution was determined as part of an actuarial valuation at January 1, 2003, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5% investment rate of return, (b) projected salary increase of 5% per year compounded annually and (c) postretirement benefit increases of 5% per year where appropriate. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 15 years.

Three year trend information is as follows:

	<b>December 31, 2004</b>	<b>December 31, 2003</b>	<b>December 31, 2002</b>
Annual Pension Cost-----	\$ 1,196,676	1,042,310	\$591,191
Percentage of Annual Pension Cost Contributed -----	173.8%	140.8%	147.3%
Net Pension Asset -----	(8,080,751)	(7,197,699)	(7,326,020)

	<b>Actuarial Valuation</b>		
	<b>January 1, 2004</b>	<b>January 1, 2003</b>	<b>January 1, 2002</b>
Actuarial Value of Assets-----	\$18,229,129	\$14,199,574	\$ 15,243,527
Actuarial Accrued Liability (Entry Age)-----	30,459,067	27,723,143	26,007,423
Unfunded Actuarial Accrued Liability-----	12,229,938	13,523,569	10,763,896
Funded Ratio-----	59.8%	51.2%	58.6%
Covered Payroll-----	4,666,254	4,408,490	4,524,623
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll-----	262.1%	306.8%	237.9%

For the year ended December 31, 2004, the City's annual pension cost and net pension asset for the current year is shown:

Annual Required Contribution-----	\$1,736,504
Interest on Net Pension Asset -----	<u>(539,828)</u>
Annual Pension Cost -----	1,196,677
Contributions Made -----	<u>(2,079,729)</u>
Increase in Net Pension Asset-----	883,052
Net Pension Asset Beginning of the Year-----	<u>( 7,197,699)</u>
Net Pension Asset End of the Year-----	<u><u>(\$8,080,751)</u></u>

#### **DEFINED CONTRIBUTION PLAN**

The City established a defined contribution plan in 1998 to provide an alternative to the defined benefit plan. The International City Managers Association (ICMA) administers the plan, and the City Council has authority over plan provisions and contribution requirements. The defined contribution pension plan is the only plan available to employees hired after January 1, 2000. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2004, there were 150 members. The City is required to contribute between 9% and 12% of total salaries. Employees may contribute up to 10% of total salaries. In accordance with these requirements, the City contributed \$572,235 during the current year and employees contributed \$299,265. Employees are vested after 5 years of service. Plan provisions and contribution requirements are established by the City Council and collective bargaining and may be amended.

#### **POST-EMPLOYMENT BENEFITS**

The City provides health care benefits to former City Council members and retired full-time City employees in accordance with labor contracts and personnel policies. Currently 44 people are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During 2004, the amount expended for post-employment benefits was \$417,853.

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## EXHIBIT A-14

Beginning in 1997, the City started a formal method to pre-fund this growing liability. An actuarial valuation of the accrued liability for this benefit was first done for the period ending December 31, 1997. Beginning in 1999, the actuarial recommended percentage of payroll was contributed to the Retirees Health Care fund to assure funding for this benefit will be available in future years. This fund has a fund balance of \$2,025,186 as of December 31, 2004. Total contributions of \$983,442 were made to this fund in 2004.

Effective December 31, 2008 the Governmental Account Standards Board statement 45 will require government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The City of Auburn Hills has been accruing for postretirement benefits since 1999. An actuarial determined percent of the employee's payroll is expensed and transferred to a Retiree Health Benefit fund each payroll.

### **NOTE J-RISK MANAGEMENT, CONTINGENCIES, AND COMMITMENTS**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for most of these potential risks. In 2004, the City became self insured for property damage to City vehicles under \$75,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four years.

Under provisions of a contractual agreement signed in 1995 between the City and the Cardell Corporation, the City received a cash advance during 2004 in the amount of \$407,346 to provide operating funds for the Fieldstone Golf Club Fund. A total of \$1,934,578 in cash advances have been received from the Cardell Corporation under the provisions of this contractual agreement. Repayment of this advance is only required when the Fieldstone Golf Club Fund reaches a specified cash balance. Because repayment of this advance is required only after the Fieldstone Golf Club Fund reaches specific cash balance levels, these advances have been recorded as revenue in the Fieldstone Golf Club Fund.

The City is aware of several asserted claims. It is the opinion of the City that any material future liability arising from these claims would be within the limits of the City's insurance coverage. No provision has been made in the accompanying basic financial statements for potential liability, if any, that may arise from these suits.

During 2003, the State of Michigan asserted a claim for a refund of school taxes captured for Tax Increment Financing Authority (TIFA) purposes. This issue has not been settled. It is the City's belief that the majority of the funds were captured and spent in accordance with all applicable laws and regulations regarding tax increment financing. To be conservative the City has recorded a liability of \$4,368,583 to cover any future reimbursement to the State of Michigan.

The City entered into a contract on March 3, 2003 for significant renovations of the City Hall facility. This renovation was to include demolition and reconstruction of a large portion of the building as well as renovation of the remaining portion of the building. The general contractor did not meet its obligations and the City terminated the contract. Currently, the City is in arbitration with the general contractor, Garrison Company. In 2004, the City set aside funds to cover a settlement with the Garrison Company. There is still a remaining portion of the building to be remodeled. Once the renovations are finished some major functionality issues including ADA (American with Disability Act) issues will be resolved. The expenses will be paid from the TIFA-86D component unit.

### **NOTE K-PROPERTY TAXES**

The City property tax is levied each December 1 on the taxable valuation of property located in the City as of the preceding December 31. On December 31, the property tax attachment is an enforceable lien on property and is payable by the last day of the next February following. Taxable values are established annually by the City and are equalized by the County. The 2003 taxable valuation of the City totaled approximately \$2,335 billion of which approximately \$354 million is captured by the Tax Increment Financing Authority (TIFA) and \$11 million by the Brownfield Authority. The City property tax levy for 2003 (which was collected primarily in 2004) was composed of the following components:

<u>Levy Purpose</u>	<u>Millage Rate -</u>	<u>Maximum Allowable Millage Rate</u>	<u>Tax Revenue</u>
General Operating -----	1.7500	2.1125	\$ 4,018,702
Fire Department -----	1.7604	1.7604	3,193,471
Police Department -----	5.9857	5.9857	10,858,433
Library -----	.7041	.7041	1,277,295
Street Paving Debt Millage -----	.5550	2.0000	1,006,803
Library Expansion Debt Millage -----	.2300	1.0000	417,234

Captured Property Taxes -----	_____	_____	<u>6,169,198</u>
Total City Property Tax Levy -----	<u>10.9852</u>	<u>N/A</u>	<u>\$26,941,136</u>

By agreement with Oakland County, the County purchases at face value the real property taxes receivable returned delinquent each March 1st. As a result the City receives 100% of real property taxes levied for the year regardless of delinquencies. The County does not purchase the delinquent personal property taxes. However, the City has a number of ways to effect collection of delinquent personal property taxes.

The amounts are recognized in the respective general, special revenue, and debt service funds as property tax revenue.

#### **NOTE L-CONSTRUCTION CODE FEES**

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative shortfall since January 1, 2000 is presented on the following page:

Shortfall at December 31, 2003 -----	(\$ 1,652,806)
Building Permit Revenue-----	627,165
Related Expenses:	
Direct Costs (Building & Community Development)-----	1,153,893
Estimated Indirect Costs -----	<u>128,305</u>
Total Construction Code Expenditures -----	<u>1,282,198</u>
Cumulative Shortfall at December 31, 2004	<u>(\$ 2,307,839)</u>

#### **NOTE M-COMPONENT UNIT DISCLOSURES**

The City of Auburn Hills has five component units. Three tax increment financing authorities: TIFA A, TIFA B, and TIFA D, the Brownfield Authority and the Economic Development Corporation. The financial information for the component units is found in exhibit A-12 and exhibit A-13.

##### **Unearned Revenue**

The unearned revenue represents property taxes levied in December 2004 that will be recognized as revenue in 2005.

##### **Cash and Cash Equivalents**

The cash and cash equivalents of the City's components units reflected in the financial statement consist of deposits of \$209,861 certificates of deposits of \$2,480,343 and bank investment pools of \$7,920,515. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately (\$16,107). The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

##### **Long-Term Debt**

The long-term debt for the component units of the City of Auburn Hills is presented below:

	<b><u>Balance</u></b> <b><u>Jan. 1, 2003</u></b>	<b><u>Additions</u></b> <b><u>(Reductions)</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2004</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Tax Tribunal Cases-----	<u>\$ 229,968</u>	<u>\$ 673,076</u>	<u>\$ 903,044</u>	<u>\$ 0</u>

# NOTES TO FINANCIAL STATEMENTS

## CITY OF AUBURN HILLS

## EXHIBIT A-14

### No Commitment Debt

Excluded from the component unit Long-Term Debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of December 31, 2004, there were 5 series of Economic Development Bonds outstanding. The aggregate principal amount outstanding could not be determined. However, their original issue amounts totaled \$16,850,000.

### Property and Equipment:

The following table summarizes the changes in the fixed assets of the component units:

	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>
Capital assets not being depreciated:				
TIFA 85-A (Land) -----	\$ 4,087,818	244,655		\$ 4,332,473
TIFA 86-D (Land) -----	2,017,211			2,017,211
TIFA 86-D (Construction in Progress) -----	<u>1,705,312</u>	<u>1,911,257</u>		<u>3,616,569</u>
Subtotal -----	7,810,341	2,155,912	0	9,966,253
Capital assets being depreciated:				
TIFA 85-A ((Land Improvements)-----	0	307,724		307,724
TIFA 86-A (Roads) -----	16,586,233	191,087		16,777,320
TIFA 86-B (Roads) -----	1,879,762	25,216		1,904,978
TIFA 86-D (Roads) -----	640,094	5,011		645,105
TIFA 86-D (Buildings & Improvements)-----	<u>9,845,867</u>			<u>9,845,867</u>
Subtotal -----	<u>28,951,956</u>	<u>529,038</u>	0	<u>29,480,994</u>
 <u>Accumulated depreciation:</u>				
TIFA 85-A (Land Improvements)-----	\$ 0	\$ 7,693		\$ 7,693
TIFA 86-A (Roads) -----	852,618	417,045		1,269,663
TIFA 86-B (Roads) -----	64,969	47,310		112,279
TIFA 86-D (Roads) -----	8,807	16,065		24,872
TIFA 86-D (Buildings & Improvements)-----	<u>369,220</u>	<u>246,147</u>		<u>615,367</u>
Subtotal -----	<u>1,295,614</u>	<u>734,260</u>	0	<u>2,029,874</u>
Net capital assets being depreciated -----	<u>27,656,342</u>	<u>(205,222)</u>		<u>27,451,120</u>
Net capital assets -----	<u>\$35,466,683</u>	<u>\$ 1,950,690</u>	<u>\$ 0</u>	<u>\$ 37,417,373</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF AUBURN HILLS EMPLOYEE PENSION PLAN  
ANALYSIS OF FUNDING PROGRESS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit B-1**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Unfunded AAL as a Percentage of Covered Payroll (b-a)/c</b>
12/31/03	\$ 18,229,129	\$ 30,459,067	\$ 12,229,938	59.8%	\$ 4,666,254	262.1%
12/31/02	14,199,574	27,723,143	13,523,569	51.2%	4,408,490	306.8%
12/31/01	15,243,527	26,007,423	10,763,896	58.6%	4,524,623	237.9%
12/31/00	15,424,423	22,637,823	7,213,400	68.1%	4,874,253	148.0%
12/31/99	16,975,974	21,450,883	4,474,909	79.1%	4,642,146	96.4%
12/31/98	14,826,944	18,254,045	3,427,101	81.2%	4,382,998	78.2%
12/31/97	12,827,577	16,784,386	3,956,809	76.4%	4,835,933	81.8%
12/31/96	9,550,565	13,511,315	3,960,750	70.7%	4,611,476	85.9%

See Exhibit A-14, Notes to Financial Statements

**CITY OF AUBURN HILLS EMPLOYEE PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit B-2**

<b>Payments Fiscal Year Ending</b>	<b>Valuation Date</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
12/31/2004	1/1/2003	\$ 1,736,504	109.3%
12/31/2003	1/1/2002	1,591,762	57.4%
12/31/2002	1/1/2001	1,125,465	78.1%
12/31/2001	1/1/2000	889,899	85.5%
12/31/2000	1/1/1999	723,731	104.3%
12/31/1999	1/1/1998	635,925	204.7%
12/31/1998	1/1/1997	573,760	846.6%
12/31/1997	1/1/1996	608,619	256.3%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actuarial valuation, follows:

Actuarial Cost Method.....	Individual Entry Age
Amortization Method.....	Level Percent of Payroll, Closed
Remaining Amortization Period.....	15 Years
Asset Valuation Method.....	Market Value - 4 year smoothing
Actuarial Assumptions:	
Investment Return.....	7.50%
Projected Salary Increases.....	5.00%
Cost of Living Adjustments.....	5.00% For eligible members
Inflation.....	2.50%

See Exhibit A-14, Notes to Financial Statements

# **MAJOR FUNDS**



## MAJOR FUNDS

**General Fund**-The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City which are not required to be accounted for in other funds.

**Major Streets**-This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.

**Local Streets**-This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.

**Police**-The Police fund is used to account for the revenues and expenditures of the City of Auburn Hills Police Department. This fund is financed primarily through a separate millage specifically for Police services.

**Fire**-The Fire fund is used to account for the revenues and expenditures of the City of Auburn Hills Fire Department. This fund is financed primarily through a separate millage specifically for Fire Department services.

**Brown Road Special Assessment Debt**-This fund is used to account for the funding and payment of principal and interest on debt issued in 1999 for the paving of Brown Road adjacent to the Auburn Mile Development. Property tax special assessments are made to the businesses in this development

**SCHEDULE OF REVENUE AND TRANSFERS IN  
BUDGET AND ACTUAL -- GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit B-3**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>OPERATING REVENUE</u></b>				
<b><u>TAXES</u></b>				
Current property taxes.....	\$ 3,164,297	\$ 3,126,566	\$ 3,270,468	\$ 143,902
Tax collection fee.....	900,000	825,000	838,478	13,478
<b>TOTALS</b>	<b>4,064,297</b>	<b>3,951,566</b>	<b>4,108,946</b>	<b>157,380</b>
<b><u>LICENSES AND PERMITS</u></b>				
Building permits.....	330,000	388,407	380,788	(7,619)
Electrical permits.....	70,000	91,082	90,125	(957)
Heat, vent, & AC permits.....	95,000	98,652	93,837	(4,815)
Plumbing permits.....	75,000	66,040	62,415	(3,625)
Building & construction licenses.....	7,050	6,606	6,504	(102)
Other licenses and permits.....	45,200	37,881	37,553	(328)
<b>TOTALS</b>	<b>622,250</b>	<b>688,668</b>	<b>671,222</b>	<b>(17,446)</b>
<b><u>CHARGES FOR SERVICES</u></b>				
Engineering services.....	175,000	112,413	91,707	(20,706)
Plan review fees.....	185,000	186,821	189,297	2,476
Recreation programs and activities.....	45,500	38,500	39,273	773
Senior citizen programs and activities.....	73,000	74,050	76,208	2,158
<b>TOTALS</b>	<b>478,500</b>	<b>411,784</b>	<b>396,485</b>	<b>(15,299)</b>
<b><u>STATE SOURCES</u></b>				
SMART (transportation) grant.....	41,878	41,878	39,819	(2,059)
State aid grant.....	0	135,122	136,925	1,803
State shared revenue sharing.....	1,700,000	1,625,042	1,610,535	(14,507)
<b>TOTALS</b>	<b>1,741,878</b>	<b>1,802,042</b>	<b>1,787,279</b>	<b>(14,763)</b>
<b><u>USE OF MONEY &amp; PROPERTY</u></b>				
Interest revenue.....	225,000	132,000	206,132	74,132
Sale of fixed assets.....	5,000	226,719	226,719	0
Building rental.....	550,600	550,600	572,230	21,630
<b>TOTALS</b>	<b>780,600</b>	<b>909,319</b>	<b>1,005,081</b>	<b>95,762</b>
<b><u>ADMINISTRATIVE &amp; INTERFUND CHARGES</u></b>				
Administrative charges.....	1,036,770	1,036,770	1,036,770	0
Interfund charges.....	1,726,731	1,726,731	1,726,731	0
<b>TOTALS</b>	<b>2,763,501</b>	<b>2,763,501</b>	<b>2,763,501</b>	<b>0</b>
<b><u>OTHER REVENUE</u></b>				
	391,550	480,038	497,800	17,762
<b>TOTAL REVENUE</b>	<b>\$ 10,842,576</b>	<b>\$ 11,006,918</b>	<b>\$ 11,230,314</b>	<b>\$ 223,396</b>

**SCHEDULE OF EXPENDITURES AND APPROPRIATIONS  
BUDGET AND ACTUAL -- GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**EXHIBIT B-4**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>LEGISLATIVE</u></b>				
City Council.....	\$ 279,308	\$ 256,494	\$ 245,775	\$ (10,719)
<b><u>MANAGEMENT &amp; PLANNING</u></b>				
Assessor.....	1,009,561	1,007,768	1,030,413	22,645
City Clerk.....	289,007	287,938	286,527	(1,411)
City Clerk-Elections.....	111,157	103,199	100,869	(2,330)
City Manager.....	479,876	420,955	424,347	3,392
Finance.....	381,167	354,076	350,140	(3,936)
General Administration.....	911,123	850,122	774,430	(75,692)
Grant Expenditures.....	41,878	41,878	48,019	6,141
Pension Board.....	37,350	56,995	62,453	5,458
Treasurer.....	499,702	390,800	398,608	7,808
<b>TOTALS</b>	<b>3,760,821</b>	<b>3,513,731</b>	<b>3,475,806</b>	<b>(37,925)</b>
<b><u>STREETS, HIGHWAYS &amp; PUBLIC IMPROVEMENTS</u></b>				
Capital Improvements.....	208,826	185,500	141,086	(44,414)
<b><u>COMMUNITY &amp; ECONOMIC DEVELOPMENT</u></b>				
Building.....	771,693	861,182	847,989	(13,193)
Economic Development.....	129,494	100,749	101,022	273
Community Development.....	306,378	299,814	305,904	6,090
Planning Commission & Zoning Board of Appeals.....	103,570	102,398	102,015	(383)
Recreation.....	385,578	374,920	369,353	(5,567)
Senior Citizens.....	400,664	356,099	330,167	(25,932)
<b>TOTALS</b>	<b>2,097,377</b>	<b>2,095,162</b>	<b>2,056,450</b>	<b>(38,712)</b>
<b><u>GENERAL SUPPORT</u></b>				
Facilities.....	1,068,303	1,198,509	1,091,814	(106,695)
Parks and Grounds.....	1,427,548	1,341,705	1,341,381	(324)
<b>TOTALS</b>	<b>2,495,851</b>	<b>2,540,214</b>	<b>2,433,195</b>	<b>(107,019)</b>
<b><u>CAPITAL OUTLAY</u></b>				
Treasurer.....	40,250	15,250	8,412	(6,838)
Facilities.....	210,500	208,000	149,562	(58,438)
Parks and Grounds.....	44,300	25,000	17,016	(7,984)
Capital Improvements.....	94,700	434,000	370,360	(63,640)
Other.....	17,750	9,450	8,108	(1,342)
<b>TOTALS</b>	<b>407,500</b>	<b>691,700</b>	<b>553,458</b>	<b>(138,242)</b>
<b><u>DEBT SERVICE</u></b>				
MTT refunds.....	400,000	50,000	2,922	(47,078)
Principal.....	19,488	19,488	19,488	0
Interest.....	4,666	4,666	4,666	0
<b>TOTALS</b>	<b>424,154</b>	<b>74,154</b>	<b>27,076</b>	<b>(47,078)</b>
<b>TOTAL EXPENDITURES</b>	<b>9,673,837</b>	<b>9,356,955</b>	<b>8,932,846</b>	<b>(424,109)</b>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>TRANSFERS</u></b>				
<b><u>Special Revenue:</u></b>				
Major Streets.....	\$ 350,000	\$ 350,000	\$ 350,000	\$ 0
Local Streets.....	350,000	350,000	350,000	0
Community Development Block Grant.....	0	0	2,104	2,104
Park Improvements.....	325,000	325,000	325,000	0
Sidewalks .....	25,000	30,000	30,000	0
<b>TOTALS</b>	<u>1,050,000</u>	<u>1,055,000</u>	<u>1,057,104</u>	<u>2,104</u>
<b><u>Capital Projects:</u></b>				
Storm Water Management.....	<u>0</u>	<u>300,000</u>	<u>300,000</u>	<u>0</u>
<b>TOTALS</b>	<u>0</u>	<u>300,000</u>	<u>300,000</u>	<u>0</u>
<b>TOTAL TRANSFERS</b>	<u>1,050,000</u>	<u>1,355,000</u>	<u>1,357,104</u>	<u>2,104</u>
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<u>\$ 10,723,837</u>	<u>\$ 10,711,955</u>	<u>\$ 10,289,950</u>	<u>\$ (422,005)</u>

**SCHEDULE OF REVENUES AND OTHER SOURCES  
BUDGET AND ACTUAL -- OTHER MAJOR FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**EXHIBIT B-5**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>MAJOR STREETS</u></b>				
State sources.....	\$ 915,000	\$ 927,384	\$ 991,089	\$ 63,705
Use of money and property.....	2,500	2,350	4,583	2,233
General fund appropriation.....	350,000	350,000	350,000	0
Other.....		295	296	1
<b>TOTALS</b>	<u>\$ 1,267,500</u>	<u>\$ 1,280,029</u>	<u>\$ 1,345,968</u>	<u>\$ 65,939</u>
<b><u>LOCAL STREETS</u></b>				
State sources.....	\$ 285,000	\$ 279,853	\$ 298,163	\$ 18,310
Use of money and property.....	2,000	1,500	2,615	1,115
Other revenues.....	1,000	1,850	1,838	(12)
General fund appropriation.....	350,000	350,000	350,000	0
<b>TOTALS</b>	<u>\$ 638,000</u>	<u>\$ 633,203</u>	<u>\$ 652,616</u>	<u>\$ 19,413</u>
<b><u>POLICE</u></b>				
Property taxes.....	\$ 10,609,387	\$ 10,609,387	\$ 10,576,926	\$ (32,461)
Licenses and permits.....	15,000	15,000	12,775	(2,225)
Charges for services.....	404,000	404,000	386,483	(17,517)
Fines and forfeitures.....	230,000	230,000	231,519	1,519
Federal sources.....	1,500	1,500	0	(1,500)
State sources.....	15,000	15,000	11,511	(3,489)
Use of money and property.....	132,500	132,500	183,940	51,440
Administrative & interfund charges.....	144,024	144,024	0	(144,024)
Other.....	103,000	103,000	107,944	4,944
<b>TOTALS</b>	<u>\$ 11,654,411</u>	<u>\$ 11,654,411</u>	<u>\$ 11,511,098</u>	<u>\$ (143,313)</u>
<b><u>FIRE</u></b>				
Property taxes.....	\$ 3,137,231	\$ 3,137,231	\$ 3,110,656	\$ (26,575)
Charges for services.....	116,000	116,000	89,555	(26,445)
Use of money and property.....	60,000	60,000	69,838	9,838
Other.....	21,000	21,000	119,621	98,621
<b>TOTALS</b>	<u>\$ 3,334,231</u>	<u>\$ 3,334,231</u>	<u>\$ 3,389,670</u>	<u>\$ 55,439</u>
<b><u>BROWN ROAD SPECIAL ASSESSMENT DEBT</u></b>				
Special assessments.....	\$ 364,000	\$ 364,000	\$ 364,000	\$ 0
Use of money and property.....	329,776	329,726	330,041	315
<b>TOTALS</b>	<u>\$ 693,776</u>	<u>\$ 693,726</u>	<u>\$ 694,041</u>	<u>\$ 315</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES  
BUDGET AND ACTUAL -- OTHER MAJOR FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**EXHIBIT B-6**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b>MAJOR STREETS</b>				
Personnel services.....	\$ 204,014	\$ 213,286	\$ 221,369	\$ 8,083
Fringe benefits.....	170,398	161,191	163,927	2,736
Supplies and services.....	775,673	814,454	841,628	27,174
Transfer to Water fund.....	32,526	32,526	32,526	0
Transfer to Sewer fund.....	32,526	32,526	32,526	0
<b>TOTALS</b>	<u>\$ 1,215,137</u>	<u>\$ 1,253,983</u>	<u>\$ 1,291,976</u>	<u>\$ 37,993</u>
<b>LOCAL STREETS</b>				
Personnel services.....	\$ 141,078	\$ 145,657	\$ 150,537	\$ 4,880
Fringe benefits.....	105,883	104,257	105,928	1,671
Supplies and services.....	429,220	522,684	568,782	46,098
<b>TOTALS</b>	<u>\$ 676,181</u>	<u>\$ 772,598</u>	<u>\$ 825,247</u>	<u>\$ 52,649</u>
<b>POLICE</b>				
Personnel services.....	\$ 4,835,711	\$ 4,729,881	\$ 4,520,059	\$ (209,822)
Fringe benefits.....	3,169,339	3,169,339	2,860,292	(309,047)
Supplies and services.....	2,642,606	2,683,206	2,202,328	(480,878)
Capital outlay.....	249,500	404,730	310,520	(94,210)
MTT refunds.....	1,000,000	910,000	5,069	(904,931)
Transfer to Clubhouse Construction.....	500,000	800,000	800,000	0
Transfer to Police Grants/Donations Fund.....	0	0	2,332	2,332
Transfer to Retiree Health Care Fund.....	500,000	500,000	500,000	0
<b>TOTALS</b>	<u>\$ 12,897,156</u>	<u>\$ 13,197,156</u>	<u>\$ 11,200,600</u>	<u>\$ (1,996,556)</u>
<b>FIRE</b>				
Personnel services.....	\$ 1,425,077	\$ 1,425,077	\$ 1,330,927	\$ (94,150)
Fringe benefits.....	699,553	699,553	603,371	(96,182)
Supplies and services.....	1,314,961	1,314,961	811,738	(503,223)
Capital outlay.....	340,000	340,000	326,774	(13,226)
Debt service:				0
MTT refunds.....	150,000	150,000	1,491	(148,509)
Principal payments.....	63,578	63,578	63,578	0
Interest payments.....	34,422	34,422	2,458	(31,964)
<b>TOTALS</b>	<u>\$ 4,027,591</u>	<u>\$ 4,027,591</u>	<u>\$ 3,140,337</u>	<u>\$ (887,254)</u>
<b>BROWN ROAD SPECIAL ASSESSMENT DEBT</b>				
Other.....	\$ 0	\$ 275	\$ 275	\$ 0
Debt service:				
Principal payments.....	400,000	400,000	400,000	0
Interest payments.....	301,750	301,750	301,750	0
<b>TOTALS</b>	<u>\$ 701,750</u>	<u>\$ 702,025</u>	<u>\$ 702,025</u>	<u>\$ 0</u>

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to the first Monday in August, City Departments, in conjunction with the Finance Office, prepare and submit their proposed operating budgets for the year beginning January 1 to the City Manager. Budgets are prepared for almost all funds of the City including the general fund, special revenue funds, debt service funds, capital project funds, internal service fund, and enterprise funds. No budget is prepared for the agency fund or the Accrued Sick and Vacation Internal Service fund.
- 2) The City Manager compiles and reviews such budget requests and then prepares recommendations and submits them to the Council on or before September 1st of each year.
- 3) A Public Hearing is conducted to obtain taxpayers' comments.
- 4) Not later than the first Monday in November, the budget is legally enacted through Council passage of the budget resolutions.
- 5) After the budget is adopted, any revisions that alter the total expenditures of a department or fund must be approved by the City Council.

The budget is adopted by the City Council on an activity (individual department) basis for the General Fund and at the fund total level for all other funds; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General, Special Revenue, Capital Project and Debt Service budgets are included in either the required supplementary information or other supplemental information. The budget presented for funds other than the General Fund are in more detail than the adopted budget. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures or liabilities. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Budgets shown were prepared on the same modified accrual basis used to reflect actual results. The budget has been prepared in accordance with generally accepted accounting principles (GAAP), except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)".

Excesses of expenditures over appropriations in individual funds are presented below:

	<b>Excess Expenditures</b>
<b>General Fund</b>	
Assessor	\$ 22,645
City Manager	3,392
Grant Expenditures	6,141
Pension Board	5,458
Treasurer	7,808
Economic Development	273
Community Development	6,090
Transfer to Community Development Block Grant Fund	2,104
<b>Special Revenue Funds</b>	
Major Streets	37,993
Local Streets	52,649

The special revenue fund, Community Development Block Grant and the capital project funds, Street Improvement and the Storm Water Management incurred deficit fund balances at the end of 2004. The fund deficits are as follows: Community Development Block Grant (\$5,877), Street Improvement (\$16,630) and Storm Water Management (\$2,137). These deficits resulted from expenditures being made in advance of reimbursement from the Federal government or the State of Michigan. It is expected that when reimbursement for the expenditures is received from the governmental agencies, these deficits will be eliminated in 2005.

**OTHER**  
**SUPPLEMENTAL INFORMATION**  

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**NON-MAJOR GOVERNMENTAL FUNDS**



**COMBINING BALANCE SHEET -- NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit C-1**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents.....	\$ 3,441,553	\$ 235,461	\$ 510,264	\$ 4,187,278
Receivables:				
Due from other governmental units.....	25,348			25,348
Due from other funds.....	19,275	11,055		30,330
Accounts.....	129,906			129,906
Property taxes.....		398,360		398,360
<b>TOTAL ASSETS</b>	<u>3,616,082</u>	<u>644,876</u>	<u>510,264</u>	<u>4,771,222</u>
<b><u>LIABILITIES AND FUND EQUITY (DEFICIT)</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable.....	33,564		516,846	550,410
Accrued payroll and other liabilities.....			1,023	1,023
Due to other funds.....	35,206		11,162	46,368
Deposits payable.....	220,813			220,813
Deferred revenue.....	5,877	398,360		404,237
<b>TOTAL LIABILITIES</b>	<u>295,460</u>	<u>398,360</u>	<u>529,031</u>	<u>1,222,851</u>
<b><u>FUND BALANCES (DEFICIT)</u></b>				
Unreserved:				
Designated for subsequent year's budget.....	208,967	117,063		326,030
Undesignated.....	3,111,655	129,453	(18,767)	3,222,341
<b>TOTAL FUND BALANCES</b>	<u>3,320,622</u>	<u>246,516</u>	<u>(18,767)</u>	<u>3,548,371</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,616,082</u>	<u>\$ 644,876</u>	<u>\$ 510,264</u>	<u>\$ 4,771,222</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit C-2**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b><u>REVENUE</u></b>				
Property taxes.....		\$ 1,227,042		\$ 1,227,042
Licenses and permits.....	\$ 112,200			112,200
Charges for services.....	470,284			470,284
Fines and forfeitures.....	0			0
Federal sources.....	108,311			108,311
State sources.....	75,237		535,000	610,237
Use of money and property.....	27,804	5,889	\$ 888	34,581
Other revenue.....	558,985		136,437	695,422
<b>TOTAL REVENUE</b>	<b>1,352,821</b>	<b>1,232,931</b>	<b>672,325</b>	<b>3,258,077</b>
<b><u>EXPENDITURES</u></b>				
Current operations:				
Management and planning.....	470,796			470,796
Public safety.....	14,406			14,406
Streets, highways, & public improvements.....	123,406	1,350	185,874	310,630
Community and economic development.....	76,929			76,929
Capital outlay.....	51,870		2,121,641	2,173,511
Debt service:				
MTT refunds.....		1,008		1,008
Principal payments.....		1,215,000	50,000	1,265,000
Interest.....		100,192	42,350	142,542
<b>TOTAL EXPENDITURES</b>	<b>737,407</b>	<b>1,317,550</b>	<b>2,399,865</b>	<b>4,454,822</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>615,414</b>	<b>(84,619)</b>	<b>(1,727,540)</b>	<b>(1,196,745)</b>
<b><u>OTHER FINANCING SOURCES</u></b>				
General fund transfers.....	357,104		300,000	657,104
Transfers-in.....	502,332		1,225,000	1,727,332
Transfers-out.....	(425,000)			(425,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>434,436</b>	<b>0</b>	<b>1,525,000</b>	<b>1,959,436</b>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>1,049,850</b>	<b>(84,619)</b>	<b>(202,540)</b>	<b>762,691</b>
Fund balances at beginning of year.....	2,270,772	331,135	183,773	2,785,680
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 3,320,622</b>	<b>\$ 246,516</b>	<b>\$ (18,767)</b>	<b>\$ 3,548,371</b>

# **COMBINING FINANCIAL STATEMENTS**

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**SPECIAL REVENUE FUNDS**

## SPECIAL REVENUE FUNDS

**Wayne-Oakland Disposal**-This fund is used to account for the receipt and subsequent disbursement of "tipping fees" received from the landfill operator of this landfill located in the City.

**Retiree Health Care**-This fund is used to account for the fees charged to City Departments as a percentage of payroll to begin pre-funding of employee post-retirement health care costs based on actuarial assumptions.

**Community Development Block Grant**-This fund is used to account for the grant funds received from the Federal Government through Oakland County for projects benefiting low and moderate income persons or projects defined as having an urgent need.

**Park Improvement**-This fund is used to account for the revenues and expenditures relating to improvements made to City parks. This fund is primarily funded through State grants combined with General Fund appropriations.

**Sidewalk Improvement**-This fund is used to account for the revenues and expenditures relating to the construction and replacement of City sidewalks and bike paths. This fund is primarily funded through General Fund appropriations.

**Tree Ordinance**-This fund is used to account for the funds received under Ordinance 483 of the City which requires deposits and fees for the removal and replacement of protected species of trees.

**Drug Forfeiture**-This fund is used to account for the money and property seized by the Police Department from individuals involved in the use, sale and distribution of illegal drugs.

**Police Grants and Donations**-This fund is used to account for the revenues and expenditures related to grants and donations that the Police Department received for operation of the DARE program and other associated law enforcement grants.

**Metro Act**-This fund is used to account for the revenue received from the State of Michigan to be used for right-of-way maintenance.

**COMBINING BALANCE SHEET-NON MAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**EXHIBIT D-1**

	<b><u>Wayne- Oakland Disposal</u></b>	<b><u>Retiree Health Care</u></b>	<b><u>Community Development Block Grant</u></b>	<b><u>Park Improvement</u></b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents.....	\$ 0	\$ 2,020,675	\$ 0	\$ 431,058
Receivables:				
Due from other governmental units.....			25,348	
Due from other funds.....		9,168	2,104	
Accounts receivable.....	129,673	233		
<b>TOTAL ASSETS</b>	<b>\$ 129,673</b>	<b>\$ 2,030,076</b>	<b>\$ 27,452</b>	<b>\$ 431,058</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable.....	\$ 425	\$ 4,890	\$ 500	\$ 13,958
Deposits payable.....				5,189
Due to other funds.....	8,254		26,952	
Deferred revenue.....			5,877	
<b>TOTAL LIABILITIES</b>	<b>8,679</b>	<b>4,890</b>	<b>33,329</b>	<b>19,147</b>
<b><u>FUND BALANCES (DEFICIT)</u></b>				
Fund balances (deficit)-unreserved:				
Designated for subsequent year's budget.....	120,994			
Undesignated.....		2,025,186	(5,877)	411,911
<b>TOTAL FUND EQUITY (DEFICIT)</b>	<b>120,994</b>	<b>2,025,186</b>	<b>(5,877)</b>	<b>411,911</b>
<b>TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)</b>	<b>\$ 129,673</b>	<b>\$ 2,030,076</b>	<b>\$ 27,452</b>	<b>\$ 431,058</b>

<u>Sidewalk Improvement</u>	<u>Tree Ordinance</u>	<u>State &amp; Federal Drug Forfeiture</u>	<u>Police Grants and Donations</u>	<u>Metro Act</u>	<u>Total</u>
\$ 1,099	\$ 833,846	\$ 90,370	\$ 20,018	\$ 44,487	\$ 3,441,553
5,671			2,332		25,348
					19,275
					129,906
<u>\$ 6,770</u>	<u>\$ 833,846</u>	<u>\$ 90,370</u>	<u>\$ 22,350</u>	<u>\$ 44,487</u>	<u>\$ 3,616,082</u>
\$	\$ 400	\$ 10,010	\$ 1,000	\$ 2,381	\$ 33,564
	211,749		3,875		220,813
					35,206
					5,877
0	212,149	10,010	4,875	2,381	295,460
	87,000			973	208,967
<u>6,770</u>	<u>534,697</u>	<u>80,360</u>	<u>17,475</u>	<u>41,133</u>	<u>3,111,655</u>
<u>6,770</u>	<u>621,697</u>	<u>80,360</u>	<u>17,475</u>	<u>42,106</u>	<u>3,320,622</u>
<u>\$ 6,770</u>	<u>\$ 833,846</u>	<u>\$ 90,370</u>	<u>\$ 22,350</u>	<u>\$ 44,487</u>	<u>\$ 3,616,082</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICIT)--SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**EXHIBIT D-2**

	<u>Wayne- Oakland Disposal</u>	<u>Retiree Health Care</u>	<u>Community Development Block Grant</u>	<u>Park Improvement</u>	<u>Sidewalk Improvement</u>
<b><u>REVENUE</u></b>					
Licenses and permits.....					
Charges for services.....		\$ 469,518		766	
Fines and forfeitures.....					
Federal sources.....			\$ 72,211		
State sources.....				\$ 23,500	
Use of money and property.....	\$ 6,086	13,924		645	\$ 49
Other revenues.....	557,865				
<b>TOTAL REVENUE</b>	<b>563,951</b>	<b>483,442</b>	<b>72,211</b>	<b>24,911</b>	<b>49</b>
<b><u>EXPENDITURES</u></b>					
Current operations:					
Management and planning.....	52,943	417,853			
Public safety.....					29,474
Streets, highways, & public improvements....			73,703	3,226	
Community and economic development.....				51,870	
Capital outlay.....					
<b>TOTAL EXPENDITURES</b>	<b>52,943</b>	<b>417,853</b>	<b>73,703</b>	<b>55,096</b>	<b>29,474</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>511,008</b>	<b>65,589</b>	<b>(1,492)</b>	<b>(30,185)</b>	<b>(29,425)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
General fund transfer.....			2,104	325,000	30,000
Transfers In.....		500,000			
Transfers Out.....	(425,000)				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(425,000)</b>	<b>500,000</b>	<b>2,104</b>	<b>325,000</b>	<b>30,000</b>
<b>REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>86,008</b>	<b>565,589</b>	<b>612</b>	<b>294,815</b>	<b>575</b>
Fund balance (deficit) at beginning of year.....	34,986	1,459,597	(6,489)	117,096	6,195
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 120,994</b>	<b>\$ 2,025,186</b>	<b>\$ (5,877)</b>	<b>\$ 411,911</b>	<b>\$ 6,770</b>

<u>Tree Ordinance</u>	<u>Drug Forfeiture</u>	<u>Police Grants and Donations</u>	<u>Metro Act</u>	<u>Total</u>
\$ 112,200				\$ 112,200
				470,284
	24,929	\$ 11,171		108,311
			\$ 51,737	75,237
7,000			100	27,804
		1,120		558,985
<u>119,200</u>	<u>\$ 24,929</u>	<u>\$ 12,291</u>	<u>51,837</u>	<u>1,352,821</u>
				470,796
	13,264	1,142		14,406
74,300			19,632	123,406
				76,929
				51,870
<u>74,300</u>	<u>13,264</u>	<u>1,142</u>	<u>19,632</u>	<u>737,407</u>
<u>44,900</u>	<u>11,665</u>	<u>11,149</u>	<u>32,205</u>	<u>615,414</u>
				357,104
		2,332		502,332
				(425,000)
<u>0</u>	<u>0</u>	<u>2,332</u>	<u>0</u>	<u>434,436</u>
44,900	11,665	13,481	32,205	1,049,850
<u>576,797</u>	<u>68,695</u>	<u>3,994</u>	<u>9,901</u>	<u>2,270,772</u>
<u>\$ 621,697</u>	<u>\$ 80,360</u>	<u>\$ 17,475</u>	<u>\$ 42,106</u>	<u>\$ 3,320,622</u>



**SCHEDULE OF REVENUE AND OTHER SOURCES -- BUDGET AND ACTUAL --  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit D-3**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>WAYNE-OAKLAND DISPOSAL</u></b>				
Use of money and property.....	\$ 1,500	\$ 3,500	\$ 6,086	\$ 2,586
Other.....	515,000	570,000	557,865	(12,135)
<b>TOTALS</b>	<u>\$ 516,500</u>	<u>\$ 573,500</u>	<u>\$ 563,951</u>	<u>\$ (9,549)</u>
<b><u>RETIREE HEALTH CARE</u></b>				
Use of money and property.....	\$ 12,500	\$ 11,000	\$ 13,924	\$ 2,924
Charges for services.....	502,055	438,754	469,518	30,764
Transfer from Police Fund.....	500,000	500,000	500,000	0
<b>TOTALS</b>	<u>\$ 1,014,555</u>	<u>\$ 949,754</u>	<u>\$ 983,442</u>	<u>\$ 33,688</u>
<b><u>COMMUNITY DEVELOPMENT BLOCK GRANT</u></b>				
Federal sources.....	\$ 88,516	\$ 88,516	\$ 72,211	\$ (16,305)
Other.....	0	0	2,104	2,104
<b>TOTALS</b>	<u>\$ 88,516</u>	<u>\$ 88,516</u>	<u>\$ 74,315</u>	<u>\$ (14,201)</u>
<b><u>PARK IMPROVEMENT</u></b>				
Use of money and property.....	0	\$ 325	\$ 645	\$ 320
State sources.....	\$ 0	23,500	23,500	0
General fund appropriation.....	325,000	325,000	325,000	0
Charges for services.....	0	765	766	1
Other.....	2,500	0	0	0
<b>TOTALS</b>	<u>\$ 327,500</u>	<u>\$ 349,590</u>	<u>\$ 349,911</u>	<u>\$ 321</u>
<b><u>SIDEWALK IMPROVEMENT</u></b>				
Use of money and property.....	0	\$ 50	\$ 49	(1)
General fund appropriation.....	\$ 25,000	30,000	30,000	0
<b>TOTALS</b>	<u>\$ 25,000</u>	<u>\$ 30,050</u>	<u>\$ 30,049</u>	<u>\$ (1)</u>
<b><u>TREE ORDINANCE</u></b>				
Licenses and Permits.....	\$ 5,000	\$ 112,200	\$ 112,200	\$ 0
Use of money and property.....	750	4,000	7,000	3,000
<b>TOTALS</b>	<u>\$ 5,750</u>	<u>\$ 116,200</u>	<u>\$ 119,200</u>	<u>\$ 3,000</u>
<b><u>STATE &amp; FEDERAL DRUG FORFEITURE</u></b>				
Fines and forfeitures.....	\$ 1,000	\$ 1,000	\$ 24,929	23,929
<b>TOTALS</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 24,929</u>	<u>\$ 23,929</u>
<b><u>POLICE GRANTS AND DONATIONS</u></b>				
Federal sources.....	\$ 0	\$ 0	\$ 11,171	11,171
Transfer from Police Fund.....	0	0	2,332	2,332
Other.....	3,600	3,600	1,120	(2,480)
<b>TOTALS</b>	<u>\$ 3,600</u>	<u>\$ 3,600</u>	<u>\$ 14,623</u>	<u>\$ 11,023</u>
<b><u>METRO ACT</u></b>				
State sources.....	\$ 60,000	\$ 60,000	\$ 51,737	\$ (8,263)
Use of money and property.....	0	0	100	100
<b>TOTALS</b>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 51,837</u>	<u>\$ (8,163)</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES -- BUDGET AND ACTUAL--  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Exhibit D-4**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>WAYNE-OAKLAND DISPOSAL</u></b>				
Supplies and services.....	\$ 85,000	\$ 48,000	\$ 52,943	\$ (4,943)
Transfer to Street Improvement.....	200,000	400,000	400,000	0
Transfer to Storm Water Management.....	25,000	25,000	25,000	0
<b>TOTALS</b>	<u>\$ 310,000</u>	<u>\$ 473,000</u>	<u>\$ 477,943</u>	<u>\$ (4,943)</u>
<b><u>RETIREE HEALTH CARE</u></b>				
Fringe benefits.....	\$ 316,957	\$ 414,501	\$ 417,853	\$ (3,352)
Supplies and services.....	5,000	0	0	0
<b>TOTALS</b>	<u>\$ 321,957</u>	<u>\$ 414,501</u>	<u>\$ 417,853</u>	<u>\$ (3,352)</u>
<b><u>COMMUNITY DEVELOPMENT BLOCK GRANT</u></b>				
Supplies and services.....	\$ 88,516	\$ 88,516	\$ 73,703	\$ 14,813
<b>TOTALS</b>	<u>\$ 88,516</u>	<u>\$ 88,516</u>	<u>\$ 73,703</u>	<u>\$ 14,813</u>
<b><u>PARK IMPROVEMENT</u></b>				
Supplies and services.....	\$ 155,000	\$ 3,800	\$ 3,226	\$ 574
Capital outlay.....	410,000	82,000	51,870	30,130
<b>TOTALS</b>	<u>\$ 565,000</u>	<u>\$ 85,800</u>	<u>\$ 55,096</u>	<u>\$ 30,704</u>
<b><u>SIDEWALK IMPROVEMENT</u></b>				
Supplies and services.....	\$ 28,000	\$ 33,000	\$ 29,474	\$ 3,526
<b>TOTALS</b>	<u>\$ 28,000</u>	<u>\$ 33,000</u>	<u>\$ 29,474</u>	<u>\$ 3,526</u>
<b><u>TREE ORDINANCE</u></b>				
Supplies and services.....	\$ 70,000	\$ 75,000	\$ 74,300	\$ 700
<b>TOTALS</b>	<u>\$ 70,000</u>	<u>\$ 75,000</u>	<u>\$ 74,300</u>	<u>\$ 700</u>
<b><u>STATE &amp; FEDERAL DRUG FORFEITURE</u></b>				
Supplies and services.....	\$ 2,000	\$ 2,000	\$ 13,264	\$ (11,264)
<b>TOTALS</b>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 13,264</u>	<u>\$ (11,264)</u>
<b><u>POLICE GRANTS AND DONATIONS</u></b>				
Supplies and services.....	\$ 2,600	\$ 2,600	\$ 1,142	\$ 1,458
<b>TOTALS</b>	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 1,142</u>	<u>\$ 1,458</u>
<b><u>METRO ACT</u></b>				
Personnel Services.....	\$ 27,770	\$ 27,770	0	\$ 27,770
Fringe benefits.....	12,230	12,230	0	12,230
Supplies and services.....	25,000	25,000	\$ 19,632	5,368
<b>TOTALS</b>	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 19,632</u>	<u>\$ 45,368</u>

**COMBINING**  
**FINANCIAL STATEMENTS**  

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**DEBT SERVICE FUNDS**

## DEBT SERVICE FUNDS

**Street Improvement Bonds**-This fund is used to account for the funding and payment of principal and interest on debt issued to pave City streets. Funding for this fund is primarily through a separate millage for debt retirement.

**Library Expansion**-This fund is used to account for funding and payment of principal and interest on debt issued to finance the renovation of the City Library. The City Library, a separate governmental entity, leases this facility from the City.

**COMBINING BALANCE SHEET -- DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit E-1**

	<b><u>Street Improvement Bonds</u></b>	<b><u>Library Expansion</u></b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents.....	\$	\$ 235,461
Receivables-taxes.....		398,360
Due from other funds.....		11,055
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 644,876</b>
<b><u>LIABILITIES AND FUND EQUITY (DEFICIT)</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable.....	\$	\$
Deferred revenue.....		398,360
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>398,360</b>
<b><u>FUND BALANCES</u></b>		
Fund balances-unreserved:		
Designated for next year's budget.....		117,063
Undesignated.....		129,453
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>246,516</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 0</b>	<b>\$ 644,876</b>

**Total**

\$	235,461
	398,360
	<u>11,055</u>
\$	<u><u>644,876</u></u>

\$	0
	<u>398,360</u>
	398,360

	117,063
	<u>129,453</u>
	246,516

\$	<u><u>644,876</u></u>
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit E-2**

	<b>Street Improvement Bonds</b>	<b>Library Expansion</b>
<b><u>REVENUE</u></b>		
Property taxes.....	\$ 818,775	\$ 408,267
Use of money and property.....	3,139	2,750
<b>TOTAL REVENUE</b>	<b>821,914</b>	<b>411,017</b>
<b><u>EXPENDITURES</u></b>		
Current expenditures:		
Streets, highways, & public improvements.....	675	675
Debt service:		
MTT refunds.....	667	341
Principal payments.....	800,000	415,000
Interest payments.....	31,250	68,942
<b>TOTAL EXPENDITURES</b>	<b>832,592</b>	<b>484,958</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,678)</b>	<b>(73,941)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Transfers-out.....		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>
<b>REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(10,678)</b>	<b>(73,941)</b>
Fund balance-beginning of year.....	10,678	320,457
<b>FUND BALANCE-END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 246,516</b>

**Total**

\$ 1,227,042  
5,889

1,232,931

1,350

1,008  
1,215,000  
100,192

1,317,550

(84,619)

0

0

(84,619)

331,135

\$ 246,516



**SCHEDULE OF REVENUES AND OTHER SOURCES--BUDGET AND ACTUAL--  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit E-3**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b><u>STREET IMPROVEMENT BONDS</u></b>				
Property taxes.....	\$ 983,712	\$ 983,712	\$ 818,775	\$ (164,937)
Use of money and property.....	3,000	3,000	3,139	139
<b>TOTALS</b>	<u>\$ 986,712</u>	<u>\$ 986,712</u>	<u>\$ 821,914</u>	<u>\$ (164,798)</u>
<b><u>LIBRARY EXPANSION</u></b>				
Property taxes.....	\$ 407,664	\$ 407,664	\$ 408,267	\$ 603
Use of money and property.....	3,000	3,000	2,750	(250)
<b>TOTALS</b>	<u>\$ 410,664</u>	<u>\$ 410,664</u>	<u>\$ 411,017</u>	<u>\$ 353</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES -- BUDGET AND ACTUAL--  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit E-4**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>STREET IMPROVEMENT BONDS</u></b>				
Other.....	\$ 1,250	\$ 1,250	\$ 675	\$ (575)
Debt service:				
MTT refunds.....	150,000	150,000	667	(149,333)
Principal payments.....	800,000	800,000	800,000	0
Interest payments.....	20,000	20,000	31,250	11,250
<b>TOTALS</b>	<u>\$ 971,250</u>	<u>\$ 971,250</u>	<u>\$ 832,592</u>	<u>\$ (138,658)</u>
<b><u>LIBRARY EXPANSION</u></b>				
Other.....	\$ 775	\$ 775	\$ 675	\$ (100)
Debt service:				
MTT refunds.....	45,000	45,000	341	(44,659)
Principal payments.....	415,000	415,000	415,000	0
Interest payments.....	78,843	78,843	68,942	(9,901)
<b>TOTALS</b>	<u>\$ 539,618</u>	<u>\$ 539,618</u>	<u>\$ 484,958</u>	<u>\$ (54,660)</u>

# **COMBINING FINANCIAL STATEMENTS**

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**CAPITAL PROJECT FUNDS**

## CAPITAL PROJECT FUNDS

**Street Improvement**-This fund is used to account for the revenues specifically designated for street improvements in the City. This fund is funded primarily through General Fund appropriation as well as the balance of bond proceeds specifically for street improvements.

**Clubhouse Construction**-This fund is used to account for the revenues and expenditures related to the construction of a clubhouse for the Fieldstone Golf Club. This project is being financed by contributions from other City funds.

**Storm Water Management**-This fund is used to account for the revenues and expenditures relating to Storm Water Management projects in the City. This fund is funded primarily through General Fund appropriations as well as transfers from other City funds.

**COMBINING BALANCE SHEET -- CAPITAL PROJECT FUNDS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit F-1**

	<u>Street Improvement</u>	<u>Clubhouse Construction</u>	<u>Storm Water Management</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents.....	\$ 161,053	\$	349,211	\$ 510,264
<b>TOTAL ASSETS</b>	<u>\$ 161,053</u>	<u>\$ 0</u>	<u>\$ 349,211</u>	<u>\$ 510,264</u>
<b><u>LIABILITIES AND FUND EQUITY (DEFICIT)</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable.....	\$ 177,683	\$	\$ 339,163	\$ 516,846
Accrued payroll and other liabilities.....			1,023	1,023
Due to other funds.....			11,162	11,162
<b>TOTAL LIABILITIES</b>	177,683	0	351,348	529,031
<b><u>FUND BALANCE (DEFICIT)</u></b>				
Unreserved:				
Undesignated.....	(16,630)		(2,137)	(18,767)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>(16,630)</u>	<u>0</u>	<u>(2,137)</u>	<u>(18,767)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 161,053</u>	<u>\$ 0</u>	<u>\$ 349,211</u>	<u>\$ 510,264</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICIT) -- CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit F-2**

	<u>Street Improvement</u>	<u>Clubhouse Construction</u>	<u>Storm Water Management</u>	<u>Total</u>
<b><u>REVENUE</u></b>				
State sources.....	\$ 535,000			\$ 535,000
Use of money and property.....	771		\$ 117	888
Other .....	136,437			136,437
<b>TOTAL REVENUE</b>	<b>672,208</b>	<b>\$ 0</b>	<b>117</b>	<b>672,325</b>
<b><u>EXPENDITURES</u></b>				
Streets, highways & public improvements.....	6,886		178,988	185,874
Capital outlay.....	489,810	1,251,307	380,524	2,121,641
Debt service:				
Principal payments.....			50,000	50,000
Interest payments.....			42,350	42,350
<b>TOTAL EXPENDITURES</b>	<b>496,696</b>	<b>1,251,307</b>	<b>651,862</b>	<b>2,399,865</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>175,512</b>	<b>(1,251,307)</b>	<b>(651,745)</b>	<b>(1,727,540)</b>
<b><u>OTHER FINANCING SOURCES</u></b>				
General fund transfers.....			300,000	300,000
Other Transfers-in.....	400,000	800,000	25,000	1,225,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>400,000</b>	<b>800,000</b>	<b>325,000</b>	<b>1,525,000</b>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>575,512</b>	<b>(451,307)</b>	<b>(326,745)</b>	<b>(202,540)</b>
Fund balances at beginning of year.....	(592,142)	451,307	324,608	183,773
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	<b>\$ (16,630)</b>	<b>\$ 0</b>	<b>\$ (2,137)</b>	<b>\$ (18,767)</b>

**SCHEDULE OF REVENUE AND OTHER SOURCES -- BUDGET AND ACTUAL --  
CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit F-3**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Amended Budget</u>
<b><u>STREET IMPROVEMENT</u></b>				
Use of money and property.....	\$ 5,000	\$ 600	\$ 771	\$ 171
State sources.....	0	535,000	535,000	0
Other revenue.....	0	136,437	136,437	0
Transfer from Wayne Oakland Disposal.....	200,000	400,000	400,000	0
<b>TOTALS</b>	<u>\$ 205,000</u>	<u>\$ 1,072,037</u>	<u>\$ 1,072,208</u>	<u>\$ 171</u>
<b><u>Clubhouse Construction</u></b>				
Transfer from Police .....	\$ 800,000	\$ 800,000	\$ 800,000	\$ 0
<b>TOTALS</b>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 0</u>
<b><u>STORM WATER MANAGEMENT</u></b>				
Use of money and property.....	\$ 500	\$ 100	\$ 117	\$ 17
Transfer from Wayne Oakland Disposal.....	25,000	25,000	25,000	0
General fund appropriation.....	0	300,000	300,000	0
<b>TOTALS</b>	<u>\$ 25,500</u>	<u>\$ 325,100</u>	<u>\$ 325,117</u>	<u>\$ 17</u>

**SCHEDULE OF EXPENDITURES AND OTHER USES -- BUDGET AND ACTUAL --  
CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit F-4**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Amended Budget</b>
<b><u>STREET IMPROVEMENT</u></b>				
Capital outlay.....	\$ 240,000	\$ 400,000	\$ 489,810	\$ 89,810
Other.....	5,000	1,500	6,886	5,386
<b>TOTALS</b>	<b>\$ 245,000</b>	<b>\$ 401,500</b>	<b>\$ 496,696</b>	<b>\$ 95,196</b>
<b><u>Clubhouse Construction</u></b>				
Capital outlay.....	\$ 800,000	\$ 1,251,307	\$ 1,251,307	\$ 0
<b>TOTALS</b>	<b>\$ 800,000</b>	<b>\$ 1,251,307</b>	<b>\$ 1,251,307</b>	<b>\$ 0</b>
<b><u>STORM WATER MANAGEMENT</u></b>				
Personnel services.....	\$ 47,743	\$ 49,243	\$ 49,413	\$ 170
Fringe benefits.....	20,379	18,875	18,936	61
Capital outlay.....	10,000	375,000	380,524	5,524
Other.....	123,620	81,800	110,639	28,839
Debt service:				
Principal payments.....	50,000	50,000	50,000	0
Interest payments.....	42,350	42,350	42,350	0
<b>TOTALS</b>	<b>\$ 294,092</b>	<b>\$ 617,268</b>	<b>\$ 651,862</b>	<b>\$ 34,594</b>



# **COMBINING FINANCIAL STATEMENTS**

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**INTERNAL SERVICE FUNDS**

## INTERNAL SERVICE FUNDS

**Fleet Management**-This fund is used to account for the operations of all City vehicles excluding Fire Department Apparatus

**Accrued Sick and Vacation**-This fund is used to account for the liability of accrued sick, vacation, and compensatory time

**STATEMENT OF NET ASSETS -- INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit G-1**

	<u>Fleet Management</u>	<u>Accrued Sick &amp; Vacation</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents.....	\$ 1,367,364		\$ 1,367,364
Receivables:			
Due from other funds.....		\$ 1,338,377	1,338,377
<b>TOTAL CURRENT ASSETS</b>	1,367,364	1,338,377	2,705,741
<b><u>LAND, BUILDINGS AND EQUIPMENT</u></b>			
Machinery & equipment.....	864,939		864,939
Vehicles.....	3,108,693		3,108,693
<b>TOTAL CAPITAL ASSETS</b>	3,973,632	0	3,973,632
Less: Allowance for depreciation.....	2,622,450		2,622,450
<b>TOTAL CAPITAL ASSETS NET OF DEPRECIATION</b>	1,351,182	0	1,351,182
<b>TOTAL ASSETS</b>	2,718,546	1,338,377	4,056,923
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable.....	375,690		375,690
Due to other funds.....	28,452		28,452
Accrued payroll and other liabilities.....	6,177	1,338,377	1,344,554
<b>TOTAL LIABILITIES</b>	410,319	1,338,377	1,748,696
<b><u>NET ASSETS</u></b>			
Invested in capital assets.....	1,351,182		1,351,182
Undesignated.....	957,045		957,045
<b>TOTAL NET ASSETS</b>	\$ 2,308,227	\$ 0	\$ 2,308,227

**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
FUND NET ASSETS -- INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit G-2**

	<u>Fleet Management</u>	<u>Accrued Sick &amp; Vacation</u>	<u>Total</u>
<b><u>OPERATING REVENUE</u></b>			
Equipment rental charges.....	\$ 1,240,395		\$ 1,240,395
Vehicle rental fees.....	503,357		503,357
Other operating income.....		\$ 109,642	109,642
<b>TOTAL OPERATING REVENUE</b>	<b>1,743,752</b>	<b>109,642</b>	<b>1,853,394</b>
<b><u>OPERATING EXPENSES</u></b>			
Salaries and wages.....	193,232	106,692	299,924
Fringe benefits.....	129,431	2,950	132,381
Supplies.....	257,345		257,345
Contracted services.....	63,037		63,037
Other operating expenses.....	459,121		459,121
Depreciation and amortization.....	601,092		601,092
<b>TOTAL OPERATING EXPENSES</b>	<b>1,703,258</b>	<b>109,642</b>	<b>1,812,900</b>
<b>TOTAL OPERATING INCOME</b>	<b>40,494</b>	<b>0</b>	<b>40,494</b>
<b><u>NONOPERATING REVENUE</u></b>			
Interest earned.....	3,159		3,159
Other income.....	35,602		35,602
<b>TOTAL NONOPERATING REVENUE</b>	<b>38,761</b>	<b>0</b>	<b>38,761</b>
<b>CHANGE IN NET ASSETS</b>	<b>79,255</b>	<b>0</b>	<b>79,255</b>
Net assets-beginning of year.....	2,228,972	0	2,228,972
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,308,227</b>	<b>\$ 0</b>	<b>\$ 2,308,227</b>

**COMBINING STATEMENT OF CASH FLOWS-  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit G-3**

	<u>Fleet Management</u>	<u>Accured Sick &amp; Vacation</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers.....	\$ 1,743,906		\$ 1,743,906
Cash payments for goods and services.....	(320,382)		(320,382)
Cash payments to employees.....	(320,592)		(320,592)
Other operating expenses.....	(252,979)		(252,979)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>849,953</b>	<b>\$ 0</b>	<b>849,953</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Other nonoperating receipts.....	35,602		35,602
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>35,602</b>	<b>0</b>	<b>35,602</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Purchase of capital assets.....	(444,101)		(444,101)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(444,101)</b>	<b>0</b>	<b>(444,101)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest received on investments.....	3,159		3,159
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>3,159</b>	<b>0</b>	<b>3,159</b>
Net Increase (decrease) in cash and cash equivalents.....	444,613		444,613
Cash and cash equivalents-Beginning of year.....	922,751	0	922,751
Cash and cash equivalents-end of year.....	<u>\$ 1,367,364</u>	<u>\$ 0</u>	<u>\$ 1,367,364</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>			
Operating income (loss)	\$ 40,495	\$ 0	\$ 40,495
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Depreciation and Amortization Expense	601,092		601,092
Decrease (increase) in due from other funds		(109,642)	(109,642)
Increase (decrease) in accounts payable	206,142		206,142
Increase (decrease) in due to other funds	154		154
Increase (decrease) in accrued payroll and other liabilities	2,070	109,642	111,712
Total Adjustments	809,458	0	809,458
Net cash provided by (used in) operating activities	<u>\$ 849,953</u>	<u>\$ 0</u>	<u>\$ 849,953</u>

# **AGENCY FUND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Exhibit H-1**

	<b>Balance January 1 <u>2004</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance December 31 <u>2004</u></b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents.....	\$ 6,437,318	\$ 102,961,423	\$ 96,979,204	\$ 12,419,537
Accounts receivable.....	<u>0</u>	<u>344,888</u>	<u>126,668</u>	<u>218,220</u>
<b>TOTAL ASSETS</b>	<u>6,437,318</u>	<u>103,306,311</u>	<u>97,105,872</u>	<u>12,637,757</u>
<b><u>LIABILITIES</u></b>				
Due to other governmental units.....	95,031	927,350	0	1,022,381
Undistributed tax collections.....	<u>6,342,287</u>	<u>131,261,557</u>	<u>125,988,468</u>	<u>11,615,376</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 6,437,318</u>	<u>\$ 132,188,907</u>	<u>\$ 125,988,468</u>	<u>\$ 12,637,757</u>

# STATISTICAL SECTION

## **Section III. Statistical Section**

The Statistical Section contains data reflecting financial, social, and economic trends of the City in 2004 and prior years. This information was gathered from previous years financial statements, Official Statements for the City's various debt issuances, and from other sources as cited on the individual tables.



**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION-GENERAL, SPECIAL  
REVENUE, DEBT SERVICE AND CAPITAL PROJECT FUNDS-UNAUDITED  
LAST TEN YEARS**

**CITY OF AUBURN HILLS**

<u>Fiscal Year</u>	<u>Legislative</u>	<u>Management and Planning</u>	<u>Public Safety</u>	<u>Streets, Highways &amp; Public Improvements</u>	<u>Community Development</u>
1995	293,534	2,783,137	5,946,096	1,385,585	792,092
1996	336,784	3,182,499	5,751,093	1,488,232	671,131
1997	350,707	3,392,598	5,928,752	1,772,629	659,017
1998	226,965	3,529,261	6,426,187	1,444,123	799,128
1999	259,735	2,423,393	6,951,380	1,943,559	2,114,466
2000	246,868	2,526,593	7,640,208	2,116,844	2,149,664
2001	233,286	2,735,359	8,901,026	2,008,803	2,238,859
2002	211,129	3,090,982	9,831,858	2,566,915	1,976,201
2003	279,303	4,104,089	12,953,894	2,888,899	2,087,143
2004	245,775	3,946,602	12,343,121	2,504,162	2,133,379

**GENERAL GOVERNMENTAL REVENUES BY SOURCE-GENERAL, SPECIAL  
REVENUE, DEBT SERVICE, AND CAPITAL PROJECT FUNDS-UNAUDITED  
LAST TEN YEARS**

**CITY OF AUBURN HILLS**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Licenses and Permits</u>	<u>Charges For Services</u>	<u>Fines and Forfeitures</u>
1995	7,756,284	376,374	1,078,308	1,143,200	211,971
1996	8,429,805	287,837	1,138,165	2,232,933	148,623
1997	9,202,498	92,232	1,288,671	1,483,452	130,642
1998	10,095,136	33,318	1,932,941	1,204,079	278,708
1999	11,228,967	91,004	1,742,051	1,597,129	200,113
2000	14,088,633	484,074	1,484,326	1,707,417	200,495
2001	16,043,923	864,463	1,550,459	1,252,284	160,229
2002	17,562,609	365,000	791,556	1,282,456	243,526
2003	18,615,896	343,000	723,766	1,339,210	230,370
2004	19,023,570	364,000	796,197	1,342,807	231,519

**Table 1**

<u>General Support</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1,013,586	2,672,703	2,352,393	17,239,126
1,108,796	2,151,347	2,396,805	17,086,687
1,318,451	2,309,886	2,458,903	18,190,943
1,355,812	3,404,074	2,293,400	19,478,950
1,350,204	8,104,189	2,275,943	25,422,869
1,562,859	10,640,660	3,077,190	29,960,886
1,931,543	7,551,145	3,193,536	28,793,557
2,118,557	4,749,993	3,925,115	28,470,750
2,365,671	5,957,049	2,896,961	33,533,009
2,433,195	3,364,263	2,209,972	29,180,469

**Table 2**

<u>Federal Sources</u>	<u>State Sources</u>	<u>Use of Money &amp; Property</u>	<u>Administrative &amp; Interfund Charges</u>	<u>Other Revenues</u>	<u>Total</u>
79,604	2,489,886	1,887,369	2,421,576	157,937	17,602,509
148,214	2,488,548	973,473	2,117,527	533,982	18,499,107
18,694	2,843,889	1,894,917	1,711,113	224,201	18,890,309
117,454	3,911,771	2,226,628	1,677,387	788,819	22,266,241
204,967	2,760,322	2,523,665	1,708,416	1,228,294	23,284,928
148,791	3,311,227	4,305,844	1,822,690	1,321,335	28,874,832
126,400	4,294,296	3,785,570	2,068,404	1,089,399	31,235,427
59,318	4,565,547	1,551,434	2,966,266	1,600,998	30,988,710
122,179	3,142,324	1,366,322	2,919,304	1,792,846	30,595,217
108,311	3,698,279	1,630,679	2,763,501	1,422,921	31,381,784

**PROPERTY TAX LEVIES AND COLLECTIONS-UNAUDITED**  
**Last Ten Fiscal Years**

**CITY OF AUBURN HILLS**

**Table 3**

<b>Fiscal <sup>(1)</sup> Year</b>	<b>Tax Levy</b>	<b>As of March 1st.</b>	<b>Percent of Levy Collected</b>	<b>As of December 31</b>		<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
		<b>Current Tax Collections</b>		<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>			
1995	7,397,253	7,173,799	97.0	177,668	7,351,467	99.4	45,786	0.6 %
1996	7,985,570	7,727,012	96.8	246,362	7,973,374	99.8	12,196	0.2
1997	8,606,515	8,458,620	98.3	253,176	8,711,796	101.2	(105,281)	(1.2)
1998	9,724,016	9,262,224	95.3	283,710	9,545,934	98.2	178,082	1.8
1999	11,264,007	10,624,604	94.3	604,363	11,228,967	99.7	35,040	0.3
2000	14,349,314	13,350,208	93.0	738,425	14,088,633	98.2	260,681	1.8
2001	15,601,743	14,733,677	94.4	901,127	15,634,804	100.2	(33,061)	(0.2)
2002	18,005,761	17,135,487	95.2	801,238	17,936,725	99.6	69,036	0.4
2003	19,356,418	18,351,757	94.8	965,577	19,317,334	99.8	39,084	0.2
2004	19,497,480	18,586,488	95.3	875,343	19,461,831	99.8	35,649	0.2

<sup>(1)</sup> Represents the year that the tax is collected - 2004 represents the 2003 tax levy.

**TAXABLE AND ESTIMATED ACTUAL VALUE  
OF TAXABLE PROPERTY-UNAUDITED (In Thousands)**  
**Last Ten Years**

**CITY OF AUBURN HILLS**

**Table 4**

<b>Fiscal <sup>1</sup> Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Total</b>		<b>Ratio Of Total Taxable Value To Total Estimated Actual Value</b>
	<b>Taxable Value</b>	<b>Estimated Actual Value</b>	<b>Taxable Value</b>	<b>Estimated Actual Value</b>	<b>Taxable Value</b>	<b>Estimated Actual Value</b>	
1995	750,513	1,554,323	263,014	526,028	1,013,527	2,080,351	48.7%
1996	814,043	1,739,235	309,431	618,862	1,123,474	2,358,097	47.6%
1997	911,173	1,966,170	370,448	740,896	1,281,621	2,707,066	47.3%
1998	1,016,707	2,390,140	372,279	744,558	1,388,986	3,134,698	44.3%
1999	1,054,875	2,613,792	522,926	1,045,852	1,577,801	3,659,644	43.1%
2000	1,369,508	3,432,912	573,550	1,147,099	1,943,058	4,580,011	42.4%
2001	1,551,014	3,954,542	626,913	1,253,827	2,177,927	5,208,369	41.8%
2002	1,700,688	4,324,936	648,844	1,297,678	2,349,532	5,622,614	41.8%
2003	1,732,553	4,493,429	597,693	1,201,186	2,330,246	5,694,615	40.9%
2004	1,576,585	4,001,652	442,494	887,529	2,019,079	4,889,181	41.3%

<sup>(1)</sup> Represents the year in which property taxes are levied, collections of which will be received in the subsequent year.

**PROPERTY TAX RATES-DIRECT AND ALL OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF STATE EQUALIZED VALUE)-UNAUDITED  
Last Ten Years**

**CITY OF AUBURN HILLS**

**Table 5**

<u>Fiscal Year</u>	<u>City of Auburn Hills</u>					<u>Oakland County</u>	<u>Oakland Intermed. Schools</u>	<u>Oakland Community College</u>	<u>SMART Transit</u>	<u>Schools</u>	<u>Total</u>
	<u>General Fund</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>	<u>Extra Voted Debt</u>						
1995	2.00	1.83	6.24	0.73	1.95	4.95	2.13	0.85		26.80 <sup>2</sup>	47.48
1996	2.00	1.83	6.24	0.73	1.95	4.95	2.13	1.65	0.33	26.80	48.61
1997	2.00	1.83	6.24	0.73	1.54	4.85	2.13	1.65	0.33	26.80	48.10
1998	2.00	1.83	6.22	0.73	1.32	4.82	2.13	1.65	0.33	26.80	47.83
1999	2.00	1.83	6.22	0.73	1.29	4.66	2.12	1.65	0.33	26.80	47.63
2000	2.00	1.78	6.06	0.71	1.21	4.65	2.10	1.63	0.33	26.72	47.19
2001	2.00	1.76	5.99	0.70	1.09	4.65	2.08	1.61	0.32	27.51	47.71
2002	1.75	1.76	5.99	0.70	0.85	4.64	3.45	1.60	0.32	26.68	47.74
2003	1.75	1.76	5.99	0.70	0.79	4.65	3.40	1.60	0.60	28.56	49.80
2004	2.11	1.76	5.99	0.70	0.00	4.65	3.38	1.59	0.60	27.10	47.88

(<sup>1</sup>) Represents the year in which property taxes are collected. Taxes were levied in the previous year.  
(<sup>2</sup>) Large decrease in school millage attributable to passage of Proposal A which shifted school funding from property taxes to sales taxes.

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS-UNAUDITED  
Last Ten Years**

**CITY OF AUBURN HILLS**

**Table 6**

<u>Fiscal Year</u>	<u>Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio Of Collections To Amount Due</u>	<u>Total Outstanding Assessments</u>
1995	4,031,738	4,031,738	100.0%	0
1996	3,880,700	3,880,700	100.0%	0
1997	4,696,452	4,696,452	100.0%	0
1998	4,260,902	4,260,902	100.0%	0
1999	4,075,073	4,075,073	100.0%	0
2000	4,005,567	4,005,567	100.0%	0
2001	2,728,246	2,728,246	100.0%	0
2002	2,864,151	2,864,151	100.0%	0
2003	1,965,720	1,965,720	100.0%	0
2004	1,939,780	1,939,780	100.0%	0

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA - UNAUDITED**

**CITY OF AUBURN HILLS  
Last Ten Years**

**Table 7**

<b>Fiscal Year</b> <sup>(1)</sup>	<b>Population</b> <sup>(2)</sup>	<b>Taxable Value (In Thousands)</b>	<b>Gross Long-Term Debt</b> <sup>(3)</sup>	<b>Debt Service Monies Available</b>	<b>Debt Payable From Enterprise Revenues</b>	<b>Net Bonded Debt</b>	<b>Ratio Of Net Bonded Debt To Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1995	17,076	1,013,527	52,336,297	1,950,045	2,918,988	47,467,264	4.7	2,780
1996	17,076	1,123,474	63,467,597	2,058,685	18,861,599	42,547,313	3.8	2,492
1997	17,076	1,281,621	56,686,166	1,885,710	18,517,275	36,283,181	2.8	2,125
1998	17,076	1,388,986	49,749,450	1,733,440	18,142,893	29,873,117	2.2	1,749
1999	17,076	1,577,801	49,176,185	1,774,681	18,611,071	28,790,433	1.8	1,686
2000	19,837	1,943,058	38,883,004	1,946,749	17,770,487	19,165,768	1.0	966
2001	19,837	2,177,927	30,225,590	2,209,565	16,897,596	11,118,429	0.5	560
2002	19,837	2,349,532	26,890,000	1,521,696	15,875,000	9,493,304	0.4	479
2003	19,837	2,330,246	23,910,000	535,298	15,075,000	8,299,702	0.4	418
2004	19,837	2,448,157	23,131,949	442,695	14,555,319	8,133,935	0.3	410

<sup>(1)</sup> Represents the year in which property taxes are levied, collections of which will be made in the subsequent year.

<sup>(2)</sup> 1990 census figures (1995-1999), 2000 census figures (2000-2004)

<sup>(3)</sup> Excludes non-bonded debt. See Table 8 below for 2004 combination.

**COMPUTATION OF LEGAL DEBT MARGIN-UNAUDITED  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Table 8**

State Equalized Value.....		<u>\$ 2,448,157,880</u>
Total Long-Term Debt.....		\$ 23,131,949
Less: Long-term debt not subject to legal debt limit:		
Non-Bonded Debt.....	\$ 1,461,949	
Special Assessment Bonds.....	<u>5,500,000</u>	<u>6,961,949</u>
<b>DEBT SUBJECT TO LIMIT</b>		16,170,000
Legal Debt Limit (10% of State Equalized Value of property in the City).....		<u>24,481,578</u>
<b>LEGAL DEBT MARGIN</b>		<u><u>\$ 8,311,578</u></u>

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT-UNAUDITED  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Table 9**

	<u>Net Debt Outstanding</u>	<u>Percent Applicable To City of Auburn Hills</u>	<u>Amount Applicable To City of Auburn Hills</u>
City of Auburn Hills Direct Debt.....	\$ 23,131,949	100.00 %	\$ 23,131,949
Overlapping Debt:			
School Districts:			
Rochester Hills.....	268,890,000	0.53	1,425,117
Lake Orion.....	194,169,978	0.04	77,668
Avondale.....	109,747,343	25.85	28,369,688
Pontiac.....	22,904,000	47.40	10,856,496
Oakland County.....	97,802,273	3.61	3,530,662
Oakland Community College.....	12,325,000	3.63	447,398
Oakland County Intermediate School District.....	11,200,000	3.62	405,440
TOTAL OVERLAPPING DEBT	<u>717,038,594</u>		<u>45,112,469</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 740,170,543</u>		<u>\$ 68,244,418</u>

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL LONG-TERM  
DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES-UNAUDITED  
Last Ten Years**

**CITY OF AUBURN HILLS**

**Table 10**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service<sup>(1)</sup></u>	<u>Total General Governmental Expenditures<sup>(2)</sup></u>	<u>Ratio Of Debt Service To General Govt. Expenditures (Percent)</u>
1995	995,122	1,023,916	2,019,038	17,239,126	11.7%
1996	1,109,336	981,371	2,090,707	17,086,687	12.2%
1997	1,170,868	992,886	2,163,754	18,265,042	11.8%
1998	1,378,425	914,975	2,293,400	19,478,950	11.8%
1999	1,431,521	844,422	2,275,943	25,422,869	9.0%
2000	2,014,604	1,062,586	3,077,190	29,960,886	10.3%
2001	2,202,865	990,671	3,193,536	28,793,557	11.1%
2002	3,049,480	875,635	3,925,115	28,470,850	13.8%
2003	2,318,598	578,363	2,896,961	33,533,009	8.6%
2004	1,748,066	451,417	2,199,483	33,635,291	6.5%

<sup>(1)</sup> Excludes bond issuance and other costs.  
<sup>(2)</sup> Includes general, special revenue, debt service, and capital project funds.

# DEMOGRAPHIC STATISTICS - UNAUDITED

## CITY OF AUBURN HILLS

### Population Count:

1970.....	13,219 <sup>(1)</sup>
1980.....	15,388 <sup>(1)</sup>
1990.....	17,076 <sup>(1)</sup>
1995.....	18,880 <sup>(2)</sup>
1999.....	19,427 <sup>(2)</sup>
2000.....	19,837 <sup>(1)</sup>
2001.....	20,322 <sup>(2)</sup>
2002.....	20,197 <sup>(2)</sup>
2003.....	20,537 <sup>(2)</sup>
2004.....	20,674 <sup>(2)</sup>

### Age Distribution: <sup>(1)</sup>

	2000 Census					
	Male		Female		Total	
	Number	% of Total	Number	% of Total	Number	% of Total
Under 5 years old.....	703	7.2%	736	7.4%	1,439	7.3%
5-9 years old.....	572	5.8%	569	5.7%	1,141	5.8%
10-14 years old.....	482	4.9%	464	4.6%	946	4.8%
15-19 years old.....	707	7.2%	824	8.2%	1,531	7.7%
20-24 years old.....	989	10.1%	1,157	11.6%	2,146	10.8%
25-34 years old.....	2,376	24.2%	2,044	20.4%	4,420	22.3%
35-44 years old.....	1,699	17.3%	1,448	14.5%	3,147	15.9%
45-54 years old.....	1,102	11.2%	1,150	11.5%	2,252	11.4%
55-59 years old.....	386	3.9%	423	4.2%	809	4.1%
60-64 years old.....	259	2.6%	299	3.0%	558	2.8%
65-74 years old.....	326	3.3%	442	4.4%	768	3.9%
75 years old and over.....	230	2.3%	450	4.5%	680	3.2%
	<u>9,831</u>	<u>100.0%</u>	<u>10,006</u>	<u>100.0%</u>	<u>19,837</u>	<u>100.0%</u>

### Distribution of families by income bracket: <sup>(1)</sup>

	1999	
	Number	% of Total
Less than \$10,000.....	415	5.1%
\$10,000 to \$14,999.....	367	4.5%
\$15,000 to \$24,999.....	695	8.6%
\$25,000 to \$34,999.....	996	12.3%
\$35,000 to \$49,999.....	1,428	17.7%
\$50,000 to \$74,999.....	1,876	23.3%
\$75,000 to \$99,999.....	1,370	16.9%
\$100,000 to \$149,999.....	623	7.7%
\$150,000 to \$199,999.....	178	2.2%
Over \$200,000.....	138	1.7%
	<u>8,086</u>	<u>100.0%</u>

<sup>(1)</sup> U.S. Census of Population

<sup>(2)</sup> Estimate from Southeast Michigan Council of Governments (SEMCOG)

Table 11

<u>Unemployment</u> <sup>(3)</sup>		<u>Per Capita Income-Oakland County</u> <sup>(4)</sup>	
1992.....	5.8%	1992.....	29,633
1993.....	4.8%	1993.....	31,319
1994.....	3.5%	1994.....	33,731
1995.....	2.9%	1995.....	35,735
1996.....	2.6%	1996.....	36,854
1997.....	2.2%	1997.....	38,913
1998.....	2.0%	1998.....	41,775
1999.....	2.0%	1999.....	44,146
2000.....	1.7%	2000.....	32,534
2001.....	2.9%	2001.....	46,282
2002.....	3.7%	2002.....	47,079
2003.....	4.1%	2003.....	46,936
2004.....		2004.....	47,394

<u>Employment by Industrial Class</u> <sup>(5)</sup>	<u>1990</u>	<u>1995</u>	<u>2000</u> <sup>(6)</sup>	<u>2010</u> <sup>(6)</sup>	<u>2020</u> <sup>(6)</sup>
Agriculture & natural resources.....	256	228	222	225	217
Manufacturing.....	5,353	13,222	18,663	26,434	30,125
Transportation, communication, and utilities.....	770	865	1,089	1,387	1,446
Wholesale trade.....	1,194	1,860	2,450	3,547	4,101
Retail trade.....	2,263	2,498	2,721	3,305	3,591
Finance, insurance, and real-estate.....	2,602	2,914	3,133	3,476	3,655
Services.....	9,572	11,950	14,545	16,989	18,636
Public administration.....	192	194	215	246	268
<b>TOTAL</b>	<u>22,202</u>	<u>33,731</u>	<u>43,038</u>	<u>55,609</u>	<u>62,039</u>

<sup>(3)</sup> Michigan Employment Service Agency, Labor Market Analysis Section

<sup>(4)</sup> U.S. Department of Commerce, Bureau of Economic Analysis

<sup>(5)</sup> Southeast Michigan Council of Governments

<sup>(6)</sup> Projected



# PROPERTY VALUE AND CONSTRUCTION ACTIVITY-UNAUDITED

## CITY OF AUBURN HILLS Last Ten Years

Table 12

Fiscal Year	Construction				Estimated Actual Property Values		
	Residential		Commercial		Real	Personal	Total
	Number of Bldgs.	Value	Number of Bldgs.	Value			
1995	145	16,395,762	57	74,980,821	1,554,323,000	526,028,000	2,080,351,000
1996	82	15,271,148	106	66,775,581	1,739,235,000	618,862,000	2,358,097,000
1997	36	6,757,947	68	101,651,149	1,966,170,000	740,896,000	2,707,066,000
1998	87	27,134,221	62	81,322,389	2,390,140,000	744,558,000	3,134,698,000
1999	136	23,245,869	67	137,690,443	2,613,792,000	1,045,852,000	3,659,644,000
2000	300	26,639,304	197	144,258,909	3,432,912,000	1,147,099,000	4,580,011,000
2001	86	12,096,449	29	70,025,356	3,954,542,000	1,253,827,000	5,208,369,000
2002	184	26,384,009	21	32,205,782	4,324,936,000	1,297,678,000	5,622,614,000
2003	354	25,125,641	191	58,631,935	4,493,429,000	1,201,186,000	5,694,615,000
2004	229	27,827,327	33	23,818,714	4,542,871,810	1,132,222,700	5,675,094,510

## PRINCIPAL TAXPAYERS - UNAUDITED DECEMBER 31, 2004

## CITY OF AUBURN HILLS

Table 13

	Ad Valorem			Specific		% Of Total
	<u>Real Taxable Value</u>	<u>Personal Taxable Value</u>	<u>Total</u>	<u>Taxable Value</u>	<u>Total</u>	<u>TV</u>
DaimlerChrysler.....	\$ 337,465,500	\$ 95,837,210	\$ 433,302,710	\$ 67,794,510	\$ 501,097,220	20.5%
Taubman Auburn Hills.....	69,958,470	0	69,958,470	0	69,958,470	2.9%
Valeo, Inc.....	27,415,620	6,354,350	33,769,970	8,005,940	41,775,910	1.7%
Comerica Properties.....	33,230,640	633,360	33,864,000	0	33,864,000	1.4%
Arena Associates.....	32,417,210		32,417,210		32,417,210	1.3%
Volkswagon of America	26,135,960		26,135,960		26,135,960	1.1%
Borgwarner Inc.	9,491,350		9,491,350	15,409,870	24,901,220	1.0%
Lake Village of Auburn Hills	19,416,540	30,870	19,447,410		19,447,410	0.8%
Contintal Teves		5,420,540	5,420,540	13,679,610	19,100,150	0.8%
RIGS Inventory Specialists	<u>2,383,240</u>	<u>1,426,820</u>	<u>3,810,060</u>	<u>12,315,650</u>	<u>16,125,710</u>	0.7%
<b>TOTAL</b>	<u>\$ 557,914,530</u>	<u>\$ 109,703,150</u>	<u>\$ 667,617,680</u>	<u>\$ 117,205,580</u>	<u>\$ 784,823,260</u>	<u>32.2%</u>

**PRINCIPAL EMPLOYERS - UNAUDITED  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Table 14**

<u>Company</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
DaimlerChrysler	Automotive Manufacturer	17,197
Great Lakes Crossing Mall	Sales & Entertainment	3,000
Oakland University	Education	2,782
Comerica	Banking	2,600
Valeo SA	Engineering & Design	1,500
Volkswagen of America	Automotive Manufacturer	1,000
Meijers	Department Store	750
ABB Flexible Automation	Industrial Machinery & Equipment	750
Continental Teves	Engineering & Design	550
Jabil Circuit, Inc.	Circuit Board Manufacturing	500

**LABOR CONTRACTS  
DECEMBER 31, 2004**

**CITY OF AUBURN HILLS**

**Table 15**

<u>Name of Organization</u>	<u>Number of Members</u>	<u>Contract Expiration Date</u>
American Federation of State, County, and Municipal Employees.....	60	December 31, 2008
Police Officers Labor Council.....	11	December 31, 2007
Police Officers Labor Council (Detectives).....	5	December 31, 2002 <sup>(1)</sup>
International Association of Firefighters.....	15	<sup>(2)</sup>
Police Officers Association of Michigan.....	52	December 31, 2005
Non-Affiliated Employees.....	39	N/A
<b>TOTAL</b>	<b>182</b>	

<sup>(1)</sup> Currently Under Negotiation

<sup>(2)</sup> Newly Formed-Currently Under Negotiation

## MISCELLANEOUS STATISTICS - UNAUDITED

### CITY OF AUBURN HILLS

Table 16

Date of Incorporation: 1983  
Form of Government: Elected City Council/Appointed City Manager  
Area: Approximately 17.5 square miles

Miles of Streets:

State Highways-4.4 Miles  
Interstate Expressways-9.0 miles  
County Roads-19.0 miles  
City Major Roads-30.22 miles  
City Local Streets-37.53 miles paved, 0.5 miles gravel

Number of Streetlights-1,615

Number of Traffic Signals-51

Recreation:

Approximately 194 acres of parks  
Rail Trail - 2.1 miles (25 acres)  
1 Campground with (6) cabins and (1) Lodge  
33 miles of bicycle/pedestrian paths  
1 canoe launch  
9 picnic areas  
E. Dale Fisk Hawk Woods nature center-approximately 80 acres  
1 municipal golf course-Fieldstone Golf Club - 179 Acres  
Nationally renowned Palace of Auburn Hills concert and sport venue

Schools:

Pontiac School District  
Avondale School District  
Rochester School District  
Lake Orion School District

Colleges:

Oakland University-16,576 students  
Baker College of Auburn Hills-3,177 students  
Oakland Community College-8,355 students

Elections:

November 2, 2004 General Election  
Registered Voters: 14,037  
Ballots Cast: 9,089 64.8%

August 2, 2005

Honorable Mayor and Members  
Of the City Council  
City of Auburn Hills  
1827 North Squirrel Road  
Auburn Hills, MI 48326

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Auburn Hills for the year ended December 31, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments for the Council's review.

In planning and performing our audit, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted a certain matter involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

## **BANK RECONCILIATIONS**

In the current year, bank reconciliations were not being performed on a timely basis. Accurate and timely bank reconciliations are an extremely important part of an effective internal control structure. Bank reconciliations must be performed on a monthly basis in order to discover any errors or irregularities in a timely fashion. To further strengthen controls, reconciliations should also be reviewed by someone independent of the reconciliation process.

In addition, the City should bear in mind that effective internal controls call for someone independent of the cash custody and recordkeeping functions (including those with the ability to make bank transfers) to perform the reconciliations. Given this, the City should consider having the bank reconciliations performed by someone in the clerk/treasurer's department that does not perform direct cash receipting, disbursing, or accounting duties.

## WATER AND SEWER BILLINGS AND RECEIVABLE SUBLEDGER

The City maintains a utility billing sub-ledger, which shows at any point in time, the detail of the amounts outstanding from each of its customers. The balances on the general ledger representing this outstanding balance should be reconciled monthly to the detailed sub-ledger. If they are not reconciled timely, it becomes difficult to reconcile, which results in differences. This report should be fully reconciled, but it is understandable that the time/benefit relationship of this function should be taken into account.

Throughout the year, adjustments are made to revenue for water and sewer billings for reasons that include meters not operating or reading properly, wrong size meters being installed, etc. When these adjustments are corrected in the general ledger for receivable and revenue accounts, the actual units billed are not being adjusted. This can result in significant fluctuations in the calculation of water gain/loss. When revenue adjustments are made, the actual units billed should also be adjusted in order to eliminate significant fluctuations.

## STATE SHARED REVENUE

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 14% of the City's total General Fund revenue and 6% of government wide general revenues for the calendar year ended December 31, 2004. These percentages have eroded over the past 5 years, due to the State's economic troubles.

The following depicts the City's actual and estimated revenue sharing payments over a five year period – from the State's fiscal year ending September 30, 2001 through the fiscal year ending September 30, 2006.

	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005
Constitutional	\$ 1,276,624	\$ 1,289,596	\$ 1,311,262	\$ 1,309,007	\$ 1,348,597
Statutory	691,494	620,953	515,163	301,528	267,117
Total payments	<u>\$ 1,968,118</u>	<u>\$ 1,910,549</u>	<u>\$ 1,826,425</u>	<u>\$ 1,610,535</u>	<u>\$ 1,615,714</u>
Dollar change		\$ (57,569)	\$ (84,124)	\$ (215,890)	\$ 5,179
Percentage change		-2.93%	-4.40%	-11.82%	0.32%

While the City's constitutional revenue sharing payments have been increasing slightly, the statutory piece of revenue sharing has dropped approximately \$390,000 since 2001.

Although sales tax revenue would support an increase to state shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for several more years. The long run health of state shared revenue may well be dependent on the State's current project to reform its business tax structure. As a result, we continue to urge the City to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable. We will continue to update the City as developments occur.

## **RETIREE HEALTH CARE FUNDING**

The Governmental Accounting Standards Board (GASB) recently issued a new standard accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide pension benefits. As a result, GASB has proposed changes that would result in the City having to have an on-going actuarial valuation to define the liability for its retiree health plan, and to recommend an annual contribution. That liability would need to be disclosed in the financial statements. In addition, the City's funding status, or the progress it has made in accumulating assets to pay for this liability, would also need to be disclosed. These changes are effective starting in 2007.

As you know, to date, the City has been setting aside money to fund its retiree health plan and currently has about \$2,000,000 set aside. We commend the City for the foresight to begin pre-funding this liability.

## **BUDGET VARIANCES**

During our review of the TIFA funds, it appeared that there was no amount budgeted for Michigan tax tribunal refunds, but there were amounts budgeted in other funds for refunds. The City should be consistent across funds in the way that budgeted amounts are determined. It was also noted that there were significant budget variances between amounts budgeted and final actual amounts throughout the City's funds. Since the budget process includes a great deal of estimating, it is not unusual for variances to develop. However, we recommend the City monitor expenditures in the various funds and appropriately amend these budgets to maintain compliance with State budget regulations.

## **GENERAL ACCOUNTING PROCEDURES**

As a reminder, we offer the following list of items the City may want to consider in order to provide for more accurate reporting:

- Fixed Assets - schedules should be updated throughout the year; including matching and reconciling the lapse schedules to the general ledger. Any differences should be identified and adjusted at that time.
- Property Taxes - property taxes are a significant part of the revenue budget, therefore, reconciliation is a key part of the audit. To the extent the reconciliations can be completed prior to the start of the audit process, the audit will be more efficient. We realize there were staffing shortages that contributed to the delay this year.

## INTERNAL CONTROL CONSIDERATIONS

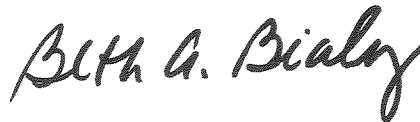
During the audit, we noted the following regarding the internal control structure:

- The ability to add vendors into the accounts payable system has been limited to the accounting department, but the request to add a vendor has not been limited to a specific department (i.e. purchasing). A formal policy should be used for the approval of new vendors within the accounts payable system.
- A large bill was improperly paid twice. While the error was corrected in the following months, the City should examine its payments process to ensure that appropriate controls are instituted so the City does not inadvertently pay the same invoice twice.

We would like to thank the City for the continued opportunity to serve as your auditors. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**



Beth A. Bialy



Carolyn L. Lorenz